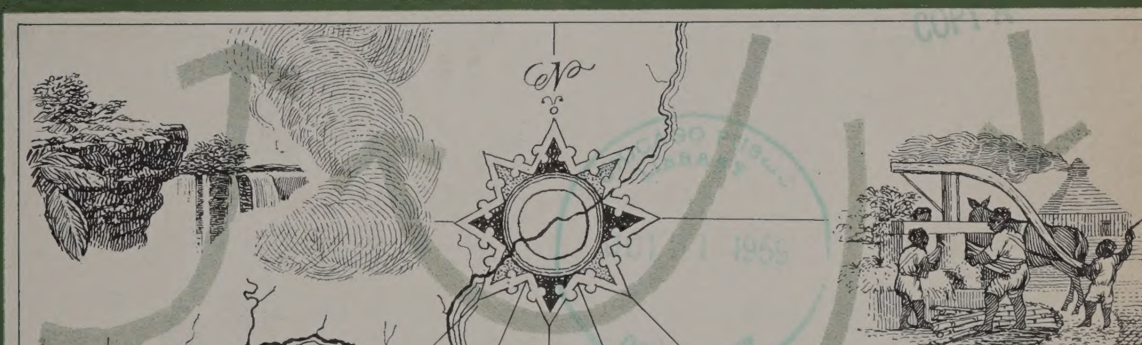
OCTOBER 24, 1959

foreign trade



HOW'S BUSINESS IN THE CARIBBEAN?

Established in 1904

foreign trade

OTTAWA, OCTOBER 24, 1959 Vol. 112, No. 9

cover Canada's trade with the Caribbean area goes back several centuries—one reason why the map on the cover follows the style of the old mapmakers and engravers. The decorative arrows symbolize the two-way movement of goods down to these tropical countries and back again to our own shores. For reports on the area, and on the products that move both southward and northward, see pages 2 to 44.

CANADA

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The West Indian sun lures the tourist.
—Jamaica Tourist Board

British Caribbean

Trinidad Jamaica
Windward Islands Leeward Islands
Bahamas British Honduras

The West Indies

3igger shipments of bananas, a large sugar crop, and a booming ourist trade have increased revenues, despite drought in ome areas. Progress continues to be rapid in the Federation's 'big three" and in most of the smaller islands.

ℛ. G. C. SMITH, *Commissioner for Canada, Port-of-Spain.*

THE economy of the Federation of The West Indies (Jamaica, Trini-lad, Barbados, and the Leeward nd Windward Islands) is an agri-ultural one, with the important ex-eptions of the petroleum and sphalt industries of Trinidad and he bauxite industry of Jamaica. The islands live to a large degree on their exports of agricultural roducts, with sugar and its by-roducts (molasses and rum), and ananas accounting for almost 25 er cent of all exports. Other crops, uch as sea island cotton, cocoa, rrowroot, nutmeg and mace are of ital importance to some of the Vindward and Leeward Islands and itrus, copra, coffee and spices are roduced in several. But over-all, it the "big two", combined with oil roduction, that determine the conomic climate in the area as a vhole. To these must be added the apidly expanding tourist industry, ow a major factor in Jamaica, arbados, Trinidad and Antigua.

As an illustration of the import-nce of a few commodities as ex-ort-earners for the Federation, the ollowing table gives a percentage of he total exports from the Federa-on supplied by the few major com-odities in 1958:

To a considerable extent, there-fore, The West Indies depends for its economic well-being on factors beyond its control. The weather, with all the capriciousness of the tropics, exercises a vital influence. Not only must the islands run the normal risks of sun and rain, but they have no mountain barriers or other protection against the full force of hurricane or high-velocity winds sweeping across the Carib-bean Sea. In addition, all of the crops, the bauxite, alumina, oil and asphalt are produced for outside markets that The West Indies does not control.

Drought Plays Havoc

During the past year, the islands have been spared any disastrous hurricanes or particularly violent winds, but the two major producers, Trinidad and Jamaica, have ex-perienced the worst drought in many years. This has not only affected current crops but could show up in next year's production. On the other hand, throughout the Windwards and Leewards and in Barbados there was adequate rain-fall, with good growing conditions for this year's crops. In Trinidad the drought was not broken until June. Although the later August rains helped growing crops con-siderably, there is still need for more rain. Jamaica had some relief in May, but there is a serious shortage of water, particularly in the area around Kingston. After a good win-ter season Barbados has had an abnormally dry summer and this adversely affected the current sugar crop. Grenada too has had a dry summer. Elsewhere the weather was generally favourable to growing crops, although in both Antigua and St. Kitts the summer was drier than usual.

Sugar Crop Good

The main "sugar islands" of The West Indies are Jamaica, Barbados, Trinidad, St. Kitts and Antigua. St. Lucia also exports a small amount, but it is devoting more attention to bananas. Because sugar makes up nearly 20 per cent of total exports from the Federation, the sugar crop is vitally important to most of the islands. Moreover, the sugar indus-try is by far the largest employer of labour. The 1959 crop was excel-lent in all of the sugar islands, with a total for the six of 826 thousand tons, compared with 758 thousand tons for 1958 and with 795 thou-sand tons for the average 1954-1958.

Nearly two-thirds of the export crop is sold at a negotiated price under the Commonwealth sugar agreement. This price has little or no connection with market factors and it has been rising each year to keep pace with increasing costs of production. Thus, although the world price has been dropping over the past few years, West Indian and Commonwealth producers have been partially shielded from the full impact of these reductions. How-ever, as a result of an unexpected increased demand from Russia, France and Japan, the world price has been firming in the last month or two.

It is still too early to forecast accurately the prospects for next year's crop, but the Trinidad

EXPORTS OF THE WEST INDIES, 1958

rovided By:	Jamaica	Trinidad	Barbados	Leewards	Windwards	Federation
			(per cent of total exports)			
ugar, molasses and rum	8.0	4.7	4.8	1.6	.2	19.3
ananas	3.6	.08			1.4	5.0
auxite and alumina	14.8					14.8
etroleum products		44.0				44.0
Total	26.4	48.8	4.8	1.6	1.6	83.1

"ratoons"* and young canes may have been affected by the prolonged drought and relatively low rainfall during the summer. In Barbados and Jamaica the unusually dry summer will probably lower production next season. In Antigua unseasonal weather during planting has reduced acreage and lower production is expected in 1960. Of the major producers, only St. Kitts is showing good promise for 1960, although even there less rain than usual has fallen.

Banana Output Growing

Bananas are the fastest growing crop in The West Indies. A few years ago they were raised largely in Jamaica and Trinidad, but now they are the most important crop in the Windward Islands. Generally, 1959 has been a good banana year so far, but the low winter prices held for a longer time than normal so that the dollar returns will not entirely reflect the increase in shipments. Jamaica is still the most important single producer, supplying about 70 per cent of all The West Indies' exports of bananas, but the Windward Islands have made such strides that bananas now represent nearly 50 per cent of total exports from that area. All areas except Trinidad, the smallest exporter, are shipping a larger volume than in 1958. In two islands the increase has been spectacular—well over double for St. Lucia and some 40 per cent for St. Vincent. These increases have resulted from favourable growing conditions, increased use of fertilizer, and improved cultivation and handling of the crop. In some of the Windward Islands, current export figures would have been slightly larger had it been possible to lift all the fruit ready for shipment from time to time.

The following table shows exports of bananas by islands for the latest period available this year, compared with the same periods last year:

	Period	1958	1959
	(months)	(1,000 stems)	
Jamaica	8	5,256	5,421
Dominica	6	924	941
St. Lucia	6	418	1,068
St. Vincent	8	938	1,461
Grenada	7	516	676
Trinidad	7	183	166

In general the weather has favoured the growing of bananas this year, with the exception of Jamaica and Trinidad, where drought has cut back production. The dry weather in Grenada may affect the crop there for the rest of this year, but as nutmeg production begins to recover from the losses inflicted by the 1955 hurricane, it is probable that some of the bananas used as a cover crop will be taken out. On the other hand, the two sugar estates in St. Lucia have been bought out by the banana-marketing organization that has the contract for the sale of all of the Windward bananas, and it is probable that St. Lucia's production, and that of St. Vincent, will continue to increase rapidly.

Tourist Trade

Apart from the bauxite and alumina industries of Jamaica and the petroleum industry of Trinidad (which will be dealt with in the notes on those islands) the tourist trade is another great source of revenue for several islands. Most developed in Jamaica and Barbados, it is important in Trinidad and Tobago and in Antigua, and there is great potential in the other islands. The current year has been excellent and reflects the rapid advance of this industry to the point where it is a major money-earner.

Income from tourists in 1958 in Jamaica was estimated at nearly $50 million W.I., almost equal to the

*Canes growing from established roots from previous seasons as against newly planted "young canes".

REVENUES OF THE WEST INDIES, BY ISLANDS

		1954-55	1956	1957	1958
		(millions of W.I. $)			
Jamaica*	Total	82.0	107.8	130.0	144.1
	C.D.&W.	2.0	2.4	2.7	3.5
Barbados*	Total	16.3	19.1	20.7	21.0
Trinidad	Total	73.6	88.5	101.6	129.3
	C.D.&W.	.9	.6	.5	.3
Antigua	Total	4.7	7.0	7.3	9.8
	C.D.&W.	.4	.9	.7	.8
	Grants-in-aid	1.1	1.0	1.4	1.1
St. Kitts	Total	4.5	4.6	4.8	6.6
	C.D.&W.	.2	.2	.2	1.3
Montserrat	Total	.9	1.3	1.3	1.8
	C.D.&W.	.1	.3	.2	.4
	Grants-in-aid	.3	.5	.4	.6
Dominica	Total	3.2	3.0	4.2	5.1
	C.D.&W.	.8	.6	.9	1.5
	Grants-in-aid	.6	.4	1.0	1.0
St. Lucia	Total	4.0	4.6	5.5	5.4
	C.D.&W.	.5	1.6	2.0	1.0
	Grants-in-aid	.7	.1	.1	.7
St. Vincent	Total	3.1	3.2	4.4	6.0
	C.D.&W.	.4	.1	.7	1.8
	Grants-in-aid	.4	.7	1.1	1.3
Grenada	Total	4.8	4.9	4.6	5.0
	C.D.&W.	.5	.1	.4	.4

*Jamaica and Barbados operate on fiscal year March 31, so that figures given are for fiscal year 1954-55 etc.

otal value of sugar products exported from that island. The number of tourists arriving in Jamaica has been increasing steadily this year and may reach 200 thousand by December. A number of new hotels are being built (including a $5 million W.I. hotel in Kingston, and at least three on the north coast), new areas are being opened up, and an increased number of large cruise ships are planning to call. Barbados, with a more "settled" industry, is experiencing a record year; in 1958 its tourist revenue was estimated at nearly $6 million W.I. Possibly the most spectacular growth in tourist trade is in Antigua. There new arrivals outpaced hotel accommodation during the 1959 season, in spite of increased hotel construction. Four new hotels are expected to be ready for the 1959/60 season. In an island with total exports valued at about $6 million W.I. in 1958, the estimated revenue from tourists of $750 thousand W.I. is remarkable.

Throughout the Windwards, with their beautiful beaches, climate and scenery, there is a growing interest in tourist development. Although the industry is in its infancy in the small islands, most of them had a good year, with more visitors and more cruise-ship visits. Although hotels in the area are inadequate for attracting large numbers of tourists, interest is developing in exploiting some of the excellent sites.

Revenues Rising

The tremendous growth in the economies of Jamaica and Trinidad, and to a lesser extent Barbados, is not only illustrated in the trade figures but also in revenue. However, even the small islands have shown expansion, despite setbacks from occasional hurricanes and severe drought. Most of these receive grants-in-aid from the United Kingdom Government to enable them to balance their budgets. Moreover, the budgets also reflect considerable development through investments by the Colonial Development and Welfare Fund, provided by the United Kingdom. The table on page 4 gives an idea of the development process.

Grenada was forced into the grant-in-aid fraternity for the first time this year. However, estimates of total revenue for 1959 jumped to $6.9 million W.I., which includes $1.3 million W.I. in grants-in-aid and $788 thousand W.I. in C.D.&W. funds. A glance at the foregoing table will quickly show the rapid strides being made by the Federation's "big three" but the lesser islands also give evidence of progress. If the "non-earned" position of the revenue figures is deducted, it will be seen that Antigua has made considerable advance and that all the islands show some increases. However, the added revenues from C.D.&W. grants and grants-in-aid are reflected in expenditures that go towards the development of these economies—developments that will bear fruit in the future. ●

Trinidad

Crude oil production shoots up 10 per cent; mineral fuels account for 79 per cent of Trinidad's total sales abroad. Sugar exports hold steady and building boom continues.

R. G. C. SMITH, *Commissioner for Canada, Port-of-Spain.*

TRINIDAD in 1958 ran a trade deficit of nearly WI$19 million, a substantial reduction from the WI-$37 million deficit of 1957. This, however, was readily covered by imports of capital as the booming oil industry continued to expand, both in production of crude oil and refining of domestic and imported crude. This year the industry took another step forward as marine drilling yielded results in the early months. In spite of anxiety over restrictions imposed by the United States against imported oil, drilling (both marine and land) has continued unchecked. Production of crude oil jumped some 10 per cent in 1958 and imports of crude petroleum for refining went up about 28 per cent. The industry paid out to Trinidad in salaries, contract work, locally bought stores and revenues to the Government over WI$145 million, an increase of over 10 per cent over 1957. A large refinery costing over WI$32 million is to come into production in 1960. This involves the building of storage tanks, water reservoir, loading berths and submarine lines to supplement the actual refinery.

Agricultural Picture

In agriculture, Trinidad has also had a fairly good year. Although the prolonged drought reduced the sugar crop to slightly below last year's large one, it was still a good year and the final return for exports will not be below 1958. The next most important export crop, cocoa, produced 16 million pounds, some two million below the 1958 figure, because of the unusually long drought. The citrus crop suffered from drought in the latter stages, but chiefly from wet weather during blossom time, so that the crop of 600 thousand crates was well below last year's figure of over one million. The current crop is shaping up well

and could produce a record one for 1959/60. There was great anxiety over the possibility of marketing citrus in the future as sterling approaches full convertibility, but a Federal team negotiated a new agreement with the United Kingdom that is said to have given some reassurances about the immediate future. The coffee crop was larger than the 3.5 to 4 million pounds produced last year but copra output, at 15,500 tons, was about 1,000 tons below 1958.

Exports Down, Imports Up

For the first six months of this year, exports have fallen slightly compared with last year but the reduction was not reflected in imports, which continued to rise. The following table gives the export picture for the first six months compared with the same period of 1958 and with the full year:

	Year 1958	First Six Mos. 1958	1959
	(in millions of WI $)		
Total exports:	393.6	219.6	213.8
Mineral fuels	309.4	158.1	151.7
Sugar	30.0	28.0	30.0
Cocoa beans	12.7	10.6	8.7
Coffee beans	2.5	2.2	1.9
Grapefruit and juice	4.1	3.3	1.6
Rum	1.7	.8	.9
Asphalt	1.9	.9	1.0

The table illustrates the tremendous importance of petroleum to the economy of Trinidad. The seven commodities listed account for about 92 per cent of total exports, with mineral fuels providing about 79 per cent of the total.

Building and Banking

Throughout the year Trinidad has had such a building boom that contractors have been hard put to find sufficient skilled labourers. (It is timely that its first Polytechnic Institute was opened in September.) In general, business activity has been lively, with bank clearings up over last year's figures in nearly every month. ●

Jamaica

Rapid industrial expansion and recent relaxation of restrictions on most goods from dollar countries greatly broaden the range of products that Canadian exporters can offer in this exciting market.

C. G. BULLIS, *Assistant Trade Commissioner, Kingston.*

ON July 1, Jamaica took a major step towards ending discrimination against goods from dollar countries. With the exception of a short list of 61 products, Jamaica is now a wide-open, no-holds-barred market where the winning combination is now more than ever: "price and sell".

Fighting hard in this market are British firms whose goods have become entrenched over the years because of the restrictions on goods from dollar sources, United States firms who back their geographical advantage with good quality products and hard selling, and European firms who have been obtaining a larger share of the market for metal products with well-styled, moderately priced merchandise.

On the other side of the ledger is the goodwill towards Canada and Canadian goods, the complementary nature of the two economies, and the preferential rates of duty, ranging from 5 to 15 per cent, that Canada enjoys as a member of the Commonwealth.

In the light of these incentives to trade that should help Canadian exporters to the Jamaican market, it will be profitable to take a good look at developments in the Island during the past year.

A Year of Progress

Jamaica's economy continues to be based solidly on bauxite and alumina developments, sugar and banana production, the tourist trade, miscellaneous agricultural production of citrus, cocoa, coffee, pimentoes and ginger. In recent years it has made impressive strides in industrial production. During the past year this process went on with undiminished vigour and new industries continued to receive useful tax concessions and protection against imports through import controls.

The most spectacular development was the decision to build an oil refinery to come into production in 1962. Other projects included a start on a 6,000-kilowatt hydroelectric project that will be the biggest in Jamaica, a £700 thousand airport building at Montego Bay, an ice factory, a woollen blanket factory and a baseball equipment factory (both to make goods for export to Canada and the United States), a pre-mix concrete plant with 15,000 cubic yards per year capacity, a doubling of the capacity of the cement factory that will more than meet Jamaica's needs, and a modern laundry and dry-cleaning plant to service the north coast hotels. The new alumina plant is scheduled to come into operation early in 1960.

Industry

During the past year, for the first time in Jamaica's history, manufacturing surpassed agriculture. This rapid industrial growth has changed the pattern of imports from mostly fully manufactured consumer goods to industrial equipment, raw and semi-finished materials. Although total imports of finished goods are large and still growing, the greatest relative and absolute increases have been in raw and semi-finished goods, and it is here that the major long-term trade opportunities lie.

The building industry continued o be active during 1958 and on nto 1959. Large-scale expansion of elephone, light and power utilities kept demand for construction and ransmission equipment high, and government incentives encouraged rapid industrial expansion. Fifty-wo industrial firms have been es-ablished since 1952 through the assistance of the Jamaican Indus-rial Development Corporation, pro-viding jobs for 4,100 persons, almost one-quarter of the total num-ber of new jobs created in manu-facturing. If present negotiations are successful, projects undertaken dur-ng 1959 will involve capital ex-penditures of £8 million and will eventually create jobs for 3,000 workers.

Agriculture

Although agriculture is still be-hind manufacturing and construc-ion in total contribution to the country's economy, agricultural commodities still dominate Jamai-ca's export trade. Exports of sugar, bananas and coffee remained stable during 1958 and 1959. Citrus ship-ments, however, dropped consider-ably during the first seven months of this year, partially because of increased local demand, which now accounts for about 50 per cent of total output.

PRINCIPAL AGRICULTURAL EXPORTS

(£000)

	1957 (7 months)	1958 (7 months)	1958	1957
Sugar	8,844	8,901	10,000	12,600
Bananas	2,638	2,530	5,188	6,800
Citrus	508	769	1,873	1,727
Cocoa	381	436	615	546
Coffee	270	243	445	633

Mining

During 1959 a major U.S. alu-minum company announced its in-tention of undertaking preliminary investigations into bauxite reserves on land which it has acquired. This is the fourth principal alu-minum producer to be granted mining concessions in Jamaica. Shipments of alumina have re-mained constant during the first seven months of 1959 compared with 1958. Because of the decision by the U.S. to cease stockpiling bauxite, shipments from Jamaica have declined. On the other hand, with the pick-up in aluminum pro-duction in Canada, exports of alu-mina are slightly higher than in 1958 and should continue to expand.

Brawny Jamaican fishermen prepare their nets for the day's catch. Although much fishing is still done from small boats like these, the Government has encouraged the building of bigger boats, with engines, to fish the offshore banks. Larger catches should help meet the growing demand for fresh fish. —Jamaica Tourist Board.

BAUXITE AND ALUMINA EXPORTS

(£000,000)

	Bauxite	Alumina
1956	4.6	5.8
1957	9.6	11.9
1958	12.6	9.1
1958 (7 mos.)	7.5	6.1
1959 (7 mos.)	6.3	6.1

Tourist Industry

Jamaica's tourist arrivals have almost trebled since 1948 and another record year is forecast for 1959. Centrally located, Jamaica is served regularly by eight inter-national air lines and 20 shipping companies. Visitors have a wide variety of hotels from which to choose, though bookings must be made well in advance. The 27 major hotels can accommodate up to 4,700 people and, upon completion of five new resort hotels for the 1959-60 season, this will be in-creased by 1,000. Negotiations for construction of six more are under way. This booming segment of Jamaica's economy represents a large potential market for Canadian manufacturers of hotel supplies and quality consumer items.

JAMAICA'S TOURIST INDUSTRY

	Number of Tourists	Total Expenditures US$
1948	61,831	8,707,356
1956	161,386	24,853,444
1957	160,675	24,743,956
1958	169,447	26,000,000
1959 (7 months)	120,649	n/a

What Jamaicans Buy

Climate and geography have combined in Jamaica to create two distinct markets and two distinct market areas. The north coast, with its excellent beaches and climate, has developed a lucrative tourist trade. Visitors spend freely at the many "In-Bond-Shops" on the Is-

land and, apart from purchases of local handicrafts, buy quality products to take back with them as part of their exemptions.

The resident market is located mainly in the Kingston area on the south coast. The average income of the Jamaican worker has risen from £16.3 a year in 1938 to £109.5 in 1957, an increase of over 600 per cent. Although the worker's income is still far below that of his North American counterpart, this large per capita increase, when multiplied by the total work force, has resulted in a significant shift in purchasing power. Widespread advertising through movies and magazines has created demand for all types of North American styled goods. Except for a small but growing number who insist on quality merchandise, the volume of business lies in the medium and low-priced field. Substandard stocks from regular quality lines are also in demand.

How to Offer Your Products

Kingston, with a population of 350 thousand, is the principal commercial centre of Jamaica and it is here that the major retail and wholesale outlets are situated. In addition to the big establishments, there are many smaller stores, both in Kingston and the rural areas, selling to a neighbourhood market.

Self-service is proving popular and the advent of supermarkets is placing increased emphasis on consumer packaging. Although this type of selling has already progressed rapidly, present indications are that the trend will continue at an even faster rate. One supermarket has been opened in the Kingston area, a second branch is to be completed in the next few months, and the site for a third has been purchased.

To ensure that their products are distributed as widely as possible, most Canadian companies sell through commission agents who cover both large and small firms; there are many reputable, aggressive agencies in Kingston and the north coast from which to choose. Canadian firms would be well advised to check on a prospective agent's reputation and business standing, either through normal banking channels or the Trade Commissioner's office, before agreements are made.

Supplying c.i.f. quotations greatly eases the work of the local agent, and in many instances means the difference between trial orders and loss of interest. Commission agents, when offering merchandise to prospective customers, must quote a firm unit price and, although they can determine certain incidental expenses such as local taxes, rate of duty, etc., it is difficult to obtain an accurate estimate of shipping costs from Canada. These charges, such as freight and insurance, are readily supplied to the Canadian manufacturer by any shipping agent in Canada from points within the country to final destination.

Excellent shipping facilities now connect Canada and Jamaica. At present, three lines provide regular bi-monthly service: Saguenay Shipping Limited and Canada Jamaica Line from Montreal and Grace Line from Toronto. Two of these lines, Saguenay Shipping and Canada Jamaica Line, have limited refrigerated space. A new, fast, cheap method of shipping bulky items such as furniture—a method now being used by Canadian firms—is to truck the goods to Miami in bond, and from there to Kingston by air freight at rates as low as 6¢ per pound.

Many Jamaican importers use large London and New York Confirming houses in lieu of letters of credit, sight drafts, etc. Though not as well known in Canada, confirming houses are widely used in U.K. trade and in fact are one of the faster and more convenient ways of doing business with foreign firms. Documents can be presented to the confirming house for payment either direct, or through regular banking channels.

Personal Visits Important

The selling job of the Canadian firm does not stop with the initial order; on the contrary, it starts. Agents in Jamaica are being deluged with offers to take on lines and naturally spend more time on products that either do a volume business, or that are repeatedly brought to their attention. Continual follow-ups in the form of promotion literature, brochures on new products, and invitations to both the agents and his customers to visit Canadian plants—all focus attention on Canada's ability to compete.

Although the Canadian Trade Commissioner's office can offer assistance and provide information about local conditions, there is no substitute for a personal visit to the area. Businessmen can easily manage to make at least one valuable business contact and combine it with a pleasant holiday during a two-week stay on the Island. ●

JAMAICAN IMPORTS BY CLASSES OF GOODS

(in millions of pounds sterling)

	1958				1957	1956
	Can.	U.S.	U.K.	Total	Total	Total
Food	3.6	3.3	1.2	13.3	11.5	10.1
Beverages and tobacco	.4	.1	.8	1.5	1.3	1.1
Crude materials (inedible)	.05	.8	.2	2.2	2.7	2.1
Mineral fuels, lubricants, etc.		1.0	.1	5.7	6.1	4.5
Animal and vegetable oils		.09	.03	.6	.5	.5
Chemicals	.3	1.1	2.6	5.2	4.8	4.5
Manufactured goods	1.2	2.7	8.4	16.3	19.1	15.7
Machinery and transport equipment	.8	3.3	8.7	14.1	15.8	15.3
Miscellaneous manufactured goods	.5	1.1	3.	5.7	4.8	4.3
Miscellaneous commodities, etc.			.02	.03	.1	.2
Totals				64.6	66.7	58.3

Windward Islands

These islands can look forward to steady economic gains in the future, buoyed up by an excellent tourist potential and good cash crops, particularly of bananas.

R. G. C. SMITH, *Commissioner for Canada, Port-of-Spain.*

THE economy of the Windward Islands is considerably more diversified than that of the Leewards. In recent years the increasing production of bananas has raised purchasing power and helped to bring the peasants quick cash returns. Generally speaking, 1959 has been a reasonably good year for bananas, although prices have reduced the returns below the corresponding increase in output. The weather has been relatively favourable and most crops have done better than last year.

DOMINICA

Dominica depends on bananas, lime juice, cocoa, copra, vanilla beans, some citrus and essential oils for its prosperity. So far the tourist industry has hardly touched Dominica, which is both the largest island in the group and the least developed. In the first six months, exports dropped considerably below the previous year.

EXPORTS FROM DOMINICA

(in thousands of W.I. $)

	1958 (12 mos.)	1958 (first six mos.)	1959 (first six mos.)
Total exports	6,721	3,305	3,021
Bananas	3,759	2,131	2,228
Lime juice	1,870	342	148
Cocoa beans	206	147	141
Copra	296	142	137
Vanilla beans	154	103	128
Citrus	207	152	22
Lime oil	539	190	96

The figures indicate a generally slack year but imports have been running considerably higher than in 1958—WI$4,340,000 compared with WI$3,867,000 for the first six months.

ST. LUCIA

St. Lucia is the only Windward Island that regularly exports sugar. However, its sugar production is waning and instead it is fast becoming the major banana producer of the Windwards. It has had a good year so far, with a large cocoa crop but a slightly smaller one of copra. Export figures are only available for the first three months and these are not sufficiently significant to record. But because exports of bananas are running so far ahead of 1958, the figures for the year will probably reflect a considerable increase over the total of WI$4,194,000 exported last year.

St. Lucia has good tourist potential, with magnificient beaches backed by beautiful mountains (also a characteristic of St. Vincent and Grenada). Foreign capital is exhibiting some interest in the development of several sites and this could considerably affect its economy in the next few years.

ST. VINCENT

St. Vincent has for long been known as the arrowroot island. However, it also produces the finest grade of sea island cotton, though not the largest amount. It had a good cotton crop at 260 thousand pounds, an increase over last year of about 60,000 pounds, and its banana crop was up by about 40 per cent. With the future of cotton so uncertain, it is probable that more and more of its land will be planted to bananas. The important arrowroot crop was somewhat above last year's. With its tourist trade benefiting by more cruise-ship calls, and with most of its export crops up over last year, 1959 so far has been reasonably satisfactory.

EXPORTS OF ST. VINCENT

(in thousands of WI $)

	1958 (12 mos.)	1958 (first six mos.)	1959 (first six mos.)
Total Exports	5,757	*2,536	*2,827
Bananas	2,386	1,217	1,385
Arrowroot	1,589	758	901
Copra	456	207	224
Sugar	246	216	223
Cotton	278	278	306

*Five months only.

GRENADA

Until a disastrous hurricane in 1955 decimated Grenada's nutmeg trees, its economy was solidly and profitably based on that single crop. Grenada and St. Kitts, in fact, were the only islands of the Leewards and Windwards group that had never received grants-in-aid from the United Kingdom to balance their budgets. In 1955 about 90 per cent of the nutmeg trees were destroyed and as it takes years to develop a mature, bearing tree the Island's position was difficult. However, rehabilitation has been extraordinarily rapid. The peasants, aided by a vigorous Agricultural Department, turned to bananas for a quick-growing cash crop and to other crops (such as cocoa, coffee and roots) to give them a more balanced economy. Most important, by dint of some brilliant research, methods were found to bring on a new nutmeg (and mace, a component part of the nutmeg fruit) crop in about one-third the normal time.

When the hurricane struck, Grenada fortunately had considerable stocks of nutmegs on hand and by liquidating these and developing the banana and cocoa crops, the Island managed without grants-in-aid until this year, when it was forced to accept this form of aid for

the first time. However, as its nutmeg experiments begin to bear fruit and its economy becomes better balanced, Grenada's prospects are encouraging.

At the moment cocoa is the main export, followed closely by bananas. As the latter have been planted to some extent as a quick cash crop to replace loss of revenue from nutmegs and also as a necessary cover crop for young nutmeg trees, it is probable that the expansion of the banana industry has come to an end. Grenada had a good cocoa crop this year, exporting some 28,000 cwt. in the first six months compared with under 19,000 cwt. for the same period last year, for a total income of WI$2.1 million as against WI$1.6 million. On the other hand, nutmeg exports declined to 3,034 cwt. as against 4,786 cwt. last year. However, it is expected that the new plantings will begin to show up in improved export figures in the near future. Unfortunately, the unusually dry summer is having a serious effect on all growing crops.

The deep-water harbour, destroyed in 1955, was reopened this year. Plans are also afoot to dredge an entrance to a protected lagoon that will give Grenada a superb yacht harbour.

Grenada is attracting considerable tourist money, particularly from Venezuela. It will also benefit from the newly-formed joint United States-West Indian Cooperative Organization (U.S. mutual aid project) through which a sum of US$50,000 will be provided by the United States to the Windward Islands over the next five years for road construction, water supply, and development in agriculture and education as long as the Windwards match the sum.

No comparative trade figures for the first six months of 1958 are available, but both exports and imports are holding up well. Imports for the first six months of this year were valued at WI$5,537,000 and exports at WI$4,022,000. ●

Leeward Islands

Agriculture sets the pace in these islands; sugar crops have been good, though cotton production in Antigua has declined.

R. G. C. SMITH, *Commissioner for Canada, Port-of-Spain.*

CONDITIONS in the Leewards (Antigua, St. Kitts/Nevis and Montserrat) are governed largely by the crops of sugar and sea island cotton. As the section on sugar in the general report on The West Indies shows, the crops in Antigua and St. Kitts have been reasonably good. Last year, Antigua's production fell well below recent averages and the industry was plagued with labour problems. This year the crop improved and the cane was brought in at a lively rate, thanks to satisfactory agreements with the cane-cutters.

In Antigua the 1958/59 cotton crop fell much below normal because of wet weather during the planting season. Production totalled less than 400 thousand pounds of lint, compared with nearly 1.4 million in the previous year. It was, in fact, the smallest production since 1954. Moreover, because British spinners decided not to renew the long-term contracts there is considerable despondency throughout the area over the future for this crop, and the acreage now being planted will fall below normal. On the other hand, Montserrat had a reasonably good year and exported some WI$410 thousand worth of cotton compared with WI$321 thousand last year. As this is virtually the only export from Montserrat, the results are important.

No figures are available on exports from St. Kitts, but the table below shows that in Antigua the improvement in sugar more than offset the drop in cotton exports. Exports from St. Kitts, it may be anticipated, have been higher than last year as a result of a slightly bigger sugar crop there and a reasonable cotton crop in Nevis.

EXPORTS FROM ANTIGUA

(in thousands of WI $)

	1958 (twelve months)	1958 (first seven months)	1959 (first seven months)
Total Exports	6,012	3,454	4,810
Sugar and molasses	3,710	2,046	4,087
Cotton	1,473	1,473	370

Increased exports, plus the development in the tourist industry, have pushed imports up to WI-$9,670,000 for the first nine months, from WI$8,042,000 for the corresponding period last year.

In Montserrat there is considerable gloom over the lack of direct and regular shipping services to and from Canada and the United States. On the other hand, prospects of Canadian investment in tomato production give promise of greater activity in the future. Moreover, Montserrat has begun its first small shipments of bananas to the United Kingdom and is re-developing a small muscovado sugar industry, with promise of markets in the U.K. and the Netherlands. For a small island these developments are of the greatest importance. ●

The Bahamas

Tourist boom stimulates building of apartments and hotels and boosts imports. Recent relaxation of dollar import restrictions expands Canadian opportunities to compete in a wide range of goods.

H. E. CAMPBELL, *Trade Commissioner, Kingston.*

AS Bloody Mary in the play 'South Pacific" demonstrated, there s plenty of business to be done on ı tropical island. By using Mary's echnique—the simple one of catering to tourists—100 thousand people scattered over the 700 slands of the Bahamas earn their iving each year in an economic limate as sunny as the island's beaches.

Encouraged by the absence of income tax, British, American and Canadian businessmen continue to pour capital into the Colony for he construction of hotels, apartments, homes and resorts. The rising tide of tourist spending, plus capital investment, totalled $42,950,000 in 1957. In reviewing prospects for the future in February of this year, Mr. Stafford L. Sands, Chairman of the Bahamas Development Board, said: "We look forward to taking in more than $50 million in 1960 when the number of visitors visiting the Colony should pass the quarter-million mark."

What Is Imported

Last year the Bahamas imported $45 million worth of goods. This year, import figures are almost one-third higher; the islands attracted more visitors in the first eight months of 1959 than in the whole of 1958.

What do Bahamians import to woo the tourist? They buy all types of consumer goods from basic foodstuffs to luxury items. They also buy large quantities of materials for building hotels and apartments to accommodate the visitors. There are only a few light industries in the Colony and not much food is grown because the soil is shallow and rocky and does not lend itself to large-scale farming. Most of the recent imports from Canada into the Bahamas have been flour and canned milk; Canadian goods other than basic foodstuffs have been neglected.

Where do the Bahamians buy? As the accompanying table shows, they buy largely from the United States, which lies less than 100 miles to the west.

Last year the U.S. supplied just over half the Colony's requirements; the U.K. provided a quarter and Canada just over 5 per cent. There are valid reasons for U.S. dominance in the Bahamian market and for the volume of U.K. imports, but Canadian businessmen could sell more in the Bahamas than at present. Although they cannot

PRINCIPAL PRODUCTS IMPORTED INTO BAHAMAS
SIX MONTHS 1959

	Canada	United States	United Kingdom	Total
		(in pounds sterling)		
Biscuits	2,268	20,456	17,526	40,250
Flour	126,120	2,726		128,846
Grain: chicken and dairy feeds	3,396	38,634		42,030
Rice		53,209		71,554
Hominy		21,624		21,624
Lard		19,152	84,504	103,784
Meats, fresh	3,846	254,520		365,375
Ham and bacon	1,780	55,171		80,716
Milk, sweetened		64	17,935	20,697
Milk, unsweetened	79,794	3,850	5,225	103,845
Sugar, white		3,483	64,012	67,495
Cigarettes		74,052	5,913	79,965
Apparel	1,687	303,264	24,860	343,321
Electrical apparatus and appliances	4,351	255,332	31,590	298,639
Hardware	11,231	247,469	121,164	391,466
Medicines and drugs	7,272	51,362	24,798	88,125
Machinery	9,128	338,180	123,732	475,982
Motor cars	28,801	115,033	200,177	375,692
Oil, fuel		30,572		111,011
Gasoline		58,246		191,132
Kerosene		174		24,584
Lubricating oil	2,252	33,255		35,507
Paper	2,218	75,184	3,692	81,375
Cotton piecegoods	2,149	22,627	15,267	49,964
Artificial silk piecegoods		2,501	2,110	11,795
Iron and steel	6,565	125,887	860,308	1,061,351
Motor trucks	5,347	62,754	56,004	134,473

Source: Comptroller of Customs, Nassau, Bahamas.

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promise delivery within 48 hours as wholesalers in nearby Miami and Jacksonville do, Canadian businessmen have the advantage of a preferential tariff rate that is roughly one-half the rate applied on American goods.

Building Materials Needed

Building permits issued in the first four months of 1959 climbed by 20 per cent over the same period last year. On the island of New Providence, on which the capital, Nassau, is located, a $6.3 million steam turbine power station and water distillation plant is being built at Clifton Pier. A few miles away, at Lyford Cay, a well known Canadian industrialist is landscaping 4,000 acres around a championship golf course and beach club, for sale to those who wish to own homes in the year-round warm climate. A number of co-operative apartments are being built in Nassau itself, as well as many new homes, office buildings and shops.

All building materials except pine lumber, which is produced locally, are imported. Canadian manufacturers of flush panel doors, structural steel, shingles and other building materials should explore possibilities for selling direct to prime contractors. In bidding on large contracts, Bahamian builders try to line up their needs from the cheapest source and often buy from building supply houses in the U.S. rather than from hardware merchants in Nassau. At competitive prices they would also buy in Canada.

Canadians Can Compete

Canadians should be able to compete in many fields with U.S. and British firms vying for the Bahamian market. Preferential tariff rates that apply to Canadian goods should offset the U.S. geographical advantage, and the recent removal of most restrictions on dollar imports puts Canadians on an equal footing with British exporters. The only commodities not being allowed in freely from dollar countries at present are:

bicycles	matches of wood
cement	nails
pipe	saniflush
steel bars and rods	bleach
carbonated beverages	*onions
tomato paste	*potatoes
eggs	*tomatoes

*Imports restricted when local crops are being harvested in February, March and April.

Import permits for cement, pipe, nails and steel bars and rods can be obtained when prices are lower, or deliveries better, from dollar countries. Canadian firms interested in selling in the Bahamas can obtain the names and addresses of local commission agents, merchants and building contractors from the Canadian Government Trade Commissioner, P.O. Box 225, Kingston, Jamaica. ●

British Honduras

Relaxation of dollar import restrictions and inauguration of a direct shipping service to Canada should provide Canadian exporters with new trading opportunities.

HOWARD E. CAMPBELL, *Trade Commissioner, Kingston.*

PROSPECTS for selling Canadian goods in British Honduras have improved substantially in the past year. Although business conditions have not changed much, relaxations in dollar import restrictions and the inauguration of a direct shipping service to and from Canada have opened up the market to Canadian exporters.

On July 1st the Government of British Honduras abolished discrimination against more imports of dollar goods except for a few listed items. Commodities not included in the list can be imported freely and even listed goods can be brought in under specific licences—if they are of a class or kind not manufactured locally or are lower in price than offerings from non-dollar sources.

Lumbering Main Industry

Since its inception in the seventeenth century, when it was known as the "Settlement of the English Logwood Cutters in the Bay of Honduras", British Honduras has depended on the exploitation of its forest wealth. Even today over half of its 8,600 square miles are forest, and a good portion of its 85,000 inhabitants depend on lumbering for a livelihood. Although not as well known as other British colonies in the Caribbean, British Honduras is twice as large as Jamaica and it is the only English-speaking country in Central America.

In past years logging was carried on in a haphazard fashion with little or no attention paid to reforestation. More recently, however, the Government has been actively engaged in rehabilitating forest resources by the planting of seedlings and the building of roads through forest areas to facilitate lumbering operations. Considerable equipment has to be imported to construct these roads and Canadian manufacturers of rock-crushers, graders, compressors, trucks and mechanical shovels should send

A raft of mahogany logs is towed to a ship anchored in Belize Harbour. Only a small percentage of British Honduran logs are exported; most of them are milled locally.

descriptive literature and prices on their products to Mr. D. Peacock, Director of Public Works, Belize, British Honduras, if they wish to participate in this business.

Two Main Suppliers

Most of the heavy machinery needed for lumbering and road construction is now being imported from the United States and the United Kingdom. The dominant position held by these two countries in the market is shown by the following comparative figures on imports for the first half of 1958 and 1959 in the table on the right.

Imports into the Colony last year totalled Can.$12,344,160 with the United States supplying 42 per cent and the United Kingdom 32.7 per cent. Canada was the source of less than 2 per cent of the Colony's requirements even though Canadian goods enter under a preferential tariff.

Canadian Ventures

Opportunities in agriculture have caught the eye of a number of Canadians. Last year two Mennonite communities of more than 300 families, who originally farmed in Canada, migrated from Mexico to set up poultry and dairy farms in the interior. They are already producing sufficient poultry and eggs to meet local requirements and are busy establishing a dairy industry that should make the country self-sufficient in milk, butter and cheese within a few years. A well-known Canadian businessman is planting coconuts and lime trees on 40,000 acres he has purchased 30 miles northwest of the capital, Belize, and is digging a canal to the coast to export his crop. Latest reports are that a large Canadian food chain is studying the possibilities for establishing its own citrus orchards and processing plant in British Honduras to supply the Canadian market.

PRINCIPAL IMPORTS INTO BRITISH HONDURAS

	Jan.-June 1959	Jan.-June 1958
	(in BH$)	
United Kingdom		
1 Machinery (not electric)	543,893	186,847
2 Milk	216,578	175,118
3 Metal manufactures	182,916	760,917
4 Spirits	98,801	88,401
5 Footwear	75,682	79,981
6 Cigarettes	71,226	63,384
Canada		
1 Canned vegetables	14,540	6,256
2 Canned fish	14,268	15,862
3 Flour, wheat	13,993	12,540
4 Tires and tubes	11,734	5,032
5 Cotton fabrics	10,528	44,779
6 Metal manufactures	10,502	6,223
United States		
1 Machinery (not electric)	1,006,194	1,876,693
2 Flour, wheat	380,440	367,497
3 Lard and substitutes	171,128	129,873
4 Meats, all kinds	108,417	111,655
5 Clothing (made-up)	71,582	86,283
6 Cotton fabrics	42,469	37,972

Citrus is not a new crop in British Honduras. Grapefruit plantations were established in Stann Creek Valley, 40 miles south of Belize, in 1913. In recent years large areas in the valley have been planted with orange trees. The resulting increase in production is reflected in the export figures. All shipments were made to the United Kingdom.

Under the Commonwealth Sugar Agreement an export quota of 25,000 tons was given to British Honduras two years ago. At the time, production was only 7,600 tons a year but, by increasing the acreage planted, cane farmers more than doubled the size of the crop by 1959 and expect to meet their export quota of 25,000 tons by 1960/61.

Oil Exploration

There is a continuing interest on the part of oil companies in the possibility of finding oil in British Honduras. A test well was drilled in the southern part of the Colony during the first half of the year but was reported to be dry. In August prospecting licences covering 1,000 square miles were granted to British and American oil companies. If they strike oil, the whole economy of British Honduras will be changed.

Another industry that government officials would like to see established is one that would use slashings, mill-ends and sawdust from hardwood lumbering operations. They hope that wood pulp and other products will be made from these byproducts of the lumbering industry. Canadian firms interested in this type of

wood processing should write direct to the Colonial Secretary in Belize for further particulars.

Shipping Link

All Canadian firms interested in selling in British Honduras will find the new direct shipping service recently established between Belize and Montreal to their advantage. Before the inauguration of this monthly service, Canadian exporters had to route shipments to British Honduras via the ports of New York and New Orleans or to Kingston, Jamaica, for transhipment to Belize. The handling charges were always high, deliveries slow, and pilferage not uncommon. The direct service from Eastern Canadian ports, combined with recent relaxations in dollar import restrictions should enable Canadian manufacturers to compete successfully in this small but growing market. ●

The West Indies Liberalizes Trade

. . . a resume of import liberalization measures taken by these islands, an explanation of how they have changed the market there, and an indication of the opportunities they have opened to Canadian exporters.

R. G. C. SMITH, *Commissioner for Canada, Port-of-Spain.*

AT the beginning of this year The West Indies put into effect the first major round of measures to liberalize trade with the dollar area, implementing the decisions announced at the Montreal Conference in September 1958 by the Chancellor of the Exchequer. Since the first of July, with the green light again flashed by the United Kingdom, the various island governments have been moving to eliminate most of the existing controls against trade with the dollar area. Although the extent of the liberalization measures varies from island to island in substance and in the timing of their introduction, for the first time since the war trade from Canada to The West Indies is able to move, for the most part, without the strait-jacket imposed by the balance-of-payments difficulties of the sterling area.

Foreign Trade has published details of the new liberalization moves in various issues. This article is not designed to go into the details of these moves again, but rather to point up the meaning of the changed trading conditions, to give some account of the type and extent of the markets affected, and to indicate the opportunities opened up to Canadian exporters.

Covers Wide Area

To begin with, the West Indies Federation is a market of about three million people spread over an enormous area and lying on a great semi-circle of islands starting with Jamaica (population 1.5 million) as the western anchor. The chain of islands swings westwards some 900 miles to the Leewards, comprising St. Kitts with its two wards Nevis (population about 15,000) and Anguilla (6,000), Antigua (56,000) and Montserrat (14,000). To the south are the Windwards, starting with Dominica (population 64,000), then St. Lucia (88,000), St. Vincent (79,000) and Grenada (89,000). Barbados, with the greatest population density—233 thousand people on 166 square miles—lies westwards from St. Vincent. Finally, Trinidad and its ward Tobago form the southern anchor of the chain about 500 miles south of St. Kitts and about 1,200 miles in a direct line roughly south-eastwards from Jamaica.

Markets Vary in Size

It is clear that such a scattered market is neither easy to work nor economical to serve. Although the islands have been federated since January 1958 into The West Indies there is as yet no customs union and, indeed, no arrangement for the free movement of persons between the islands. Both of these are considered to be prerequisites of a viable, independent country and efforts are being made to bring them about. But for the moment and for the immediate future, exporters must deal with each island separately and reckon with 10 different tariff structures which vary considerably from one island to another. In general Jamaica and Dominica have the highest rate of duty and Trinidad the lowest. The rates in the Windward Islands approximate more closely those of Jamaica. The rates in Barbados and the Leeward Islands are closer to those of Trinidad.

Not only do the markets vary in size and population, beginning with Montserrat with 14,000 people and ending at Jamaica with 1.5 million, but the purchasing power and standards of living also vary materially. Trinidad has the highest per capita national income, esti-

The West Indies dollar, abbreviated as WI$ throughout this report, is worth about 56 cents Canadian.

mated at WI$616, followed by Jamaica with WI$524 and Barbados WI$421. The estimates for the Leewards and Windwards are more uncertain, but best figures available give them as WI$240 and WI$216 respectively. (Actually, the discrepancy between the two groups of islands is not as wide as it appears and the levels in each island are by no means equal within each group.) Moreover, demand in the various territories is influenced not only by tariffs and per capita incomes, but also by the tourist trade. For example, Jamaica with the best developed tourist trade offers a market for first quality tourist merchandise, as do Barbados and Trinidad. (Tourist income for Jamaica is over WI$48 million per year, and for Trinidad is estimated at over WI$12 million.) Similarly, Antigua's rapidly expanding tourist trade may provide openings for goods and food products not necessarily in keeping with its own purchasing power or level of demand.

Local Industries

Again, there is a wide difference among the islands in the amount of local manufacturing and processing of food products. Jamaica is the most industrially developed of the islands. It has a large clothing and textile industry, and plants producing boots and shoes, cement, paper products, processed foods including condensed milk, furniture, pharmaceuticals, cigars and cigarettes, rum and beer, soft drinks, aluminumware and building accessories such as louvered windows and awnings, soaps and detergents, plastic manufactures, paints and enamels, building blocks, confectionery and other small manufactures. Jamaica is one of the world's major producers of alumina from its extensive bauxite mines. The local manufacturing industries are frequently protected by tariffs or by quotas on imports, but although the possibilities of competing are limited they are not by any means eliminated.

Trinidad has also made considerable progress in industrialization. Its industrial heart is oil production and refining, but it also produces shirts and other clothing, cheap cotton textiles, cigarettes, confectionery and biscuits, animal feeds, rum, beer, and soft drinks, canned citrus juice and sections, metal and wooden furniture, cement, concrete blocks, some chemicals and chemical fertilizers (a new factory is about to go into production), soap, ground barytes from imported ore, fibreglass and plastic products, jewellery, glassware and a few other miscellaneous manufactured articles.

Barbados is less industrialized but it has its own feed mills, brewery and rum distilleries, soft drinks and confectionery industries, shirt industry, frozen flying fish filleting plant, soap and wooden furniture industries.

The smaller islands are hardly industrialized at all except for the local production of cigarettes and rum, and the processing of some of their own produce—cornmeal in Antigua, cigars and canned citrus in Dominica, arrowroot starch in St. Vincent, straw mats in Dominica, cottonseed oil in Antigua, St. Kitts, Montserrat and St. Vincent, laundry soap and coconut oil in Grenada and St. Lucia.

Food Imports Necessary

In general, except for tropical fruits and, of course, for sugar, cocoa and coffee, the islands are largely dependent on imports for the bulk of their foodstuffs. Although all of the islands produce some meat, particularly Jamaica which has some fine herds, there is no likelihood that they will be self-supporting in the foreseeable future. On the other hand, great strides have been made in poultry production, particularly in Jamaica and in Trinidad which are approaching self-sufficiency in both eggs and poultry meat. Nearly all of the other islands are trying to develop a poultry industry. There is considerable fish production (Barbados is famous for its flying fish), but the lack of distribution and refrigeration facilities ensures continuing large markets for dry salt groundfish and some pickled mackerel and herrings. As yet, there is no flour mill in the area. Nearly all of the small islands produce their own soft drinks and cigarettes.

Trade with Canada

The economies of the West Indian territories are in many respects complementary to Canada's. Because of differences in climate and resources, Canada can supply many things which the West Indies lack, and vice versa. Canadian exports enjoy some important advantages in the West Indian market. There is enormous goodwill towards Canadian goods in the area, and they are accorded considerable tariff preferences. By the 1926 Canada-West Indies Trade Agreement, Canada was granted a preference amounting to 50 per cent of the general duties by Trinidad and Barbados, 25 per cent by Jamaica and 33⅓ per cent by the Leewards and Windwards. In addition, there were a few special preferences on particular items such as flour. In exchange, the most important concession given by Canada was a substantial preference on West Indian sugar, but other products of the West Indies, such as rum, cocoa, coffee and citrus fruits, also receive preferential treatment.

Liberalization Measures

With the removal of restrictions on most imports from the dollar area, West Indian importers are now largely free to buy where they choose. Apart from a narrow range of goods, Canadian exporters may ship freely into the area without any "by your leave" from authorities in either Canada or the West Indies islands. No vouchers are necessary and no import permits need be obtained, except for the few items still under control.

Among the items liberalized in July and August 1959 which are of

particular importance to Canada are canned vegetables and soups, prepared breakfast foods, kitchen and household woodenware, pharmaceutical and proprietary medicines, cellulose and plastic film, toys, and pens and pencils. Earlier this year, The West Indies removed restrictions from a variety of other items including malt, printing and writing paper, electric wire and cable, and various types of machinery and equipment.

Lists of the relatively few items still restricted in the various territories have been published in previous issues of *Foreign Trade*. The fact that a commodity appears on these lists does not necessarily mean that import permits will not be forthcoming. The detailed licensing arrangements have yet to be worked out in most of the territories and will depend on such criteria as "essentiality, extent of local production and previous levels of imports". (As indicated elsewhere in this issue, the British West Indies Trade Liberalization Plan has been terminated and all the West Indies territories have given Canada an assurance that access generally to West Indian markets for items formerly covered by the plan will be on terms no less favourable than in the past.) Information regarding licensing for individual items may be obtained from the International Trade Relations Branch of the Department of Trade and Commerce.

New Openings Arise

These liberalization measures have opened up many opportunities for Canadian exporters. They have also removed a serious and very real psychological barrier to trade from both ends of the trading axis. In the past, Canadian exporters and West Indian importers were often deterred by the complicated and extensive import licensing system which has been in effect since the early postwar years. It will now be possible for Canadian exporters to sell many consumer goods, food products, raw materials and machinery to The West Indies without any restriction and it is hoped that Canadian firms will make a serious and vigorous effort to exploit the opportunities which have been created.

Market Growing

The total imports of The West Indies for the last three years and for the prewar period 1935-39, shown in the following table, indicate the impressive growth which has taken place in the West Indian market during the last two decades.

West Indian imports are now running at nearly half a billion dollars (Canadian) a year. Jamaica and Trinidad account for about 85 per cent of the total, Barbados for about 9 per cent, and the remaining seven islands for 6 per cent. This division of the market into ten segments is not as great a problem as might be expected because the smaller islands may frequently be covered through the large trading companies which have branches in the bigger ones and send their salesmen regularly around the Windwards and Leewards if they have no branches there. Sometimes, however, it is necessary for Canadian exporters to develop commercial connections in each of the islands.

Imports Changing

The West Indies are undergoing rapid economic development and living standards have risen considerably in recent years. These trends have affected the pattern of West Indian imports—and of our exports. Fish and flour, lumber and pickled pork do not represent as large a proportion of the import market as they did in the past and Canadian exports of these items have not grown very quickly. In machinery and equipment and manufactured goods, however, there has been a marked increase in the import requirements of The West Indies, with the result that there has been a substantial increase in our exports of some items in this class.

The West Indies represents an important and growing market for many kinds of manufactured goods and there is scope for Canada to increase its trade substantially in this field. Outside of the few products made locally in some islands

IMPORTS BY TERRITORIES

	1935-36	1956	1957	1958*
		(millions WI$)		
The West Indies	128.8	697.1	802.5	860.0
Jamaica	47.6	279.9	320.5	310.4
Trinidad & Tobago	52.6	301.9	356.2	411.9
Barbados	17.2	61.3	68.2	75.6
The Leewards	4.7	20.8	23.1	
Antigua	1.9	10.4	11.4	n.a.
Montserrat	.5	1.1	1.4	1.5
St. Kitts/Nevis/Anguilla	2.2	10.1	10.3	11.4
The Windwards	6.7	33.2	34.5	
Dominica	.9	6.6*	7.0*	8.7
St. Lucia	1.7	7.9	8.9	8.7
St. Vincent	1.5	7.1	8.3	10.7
Grenada	2.5	12.5	10.3	n.a.

*Estimated.

PERCENTAGE OF TOTAL IMPORTS FROM CANADA AND THE UNITED STATES

	Trinidad		Jamaica		Barbados	
	Can.	U.S.	Can.	U.S.	Can.	U.S.
1935-39	13.0	21.0	18.0	19.0	17.0	12.0
1949	11.9	15.9	15.7	16.5	19.8	12.5
1956	8.9	12.0	12.2	24.6	16.6	7.0
1957	7.0	14.2	12.0	22.6	14.4	9.1
1958	6.1	13.9	10.6	20.9	12.4	8.6

there is demand for nearly every conceivable manufactured consumer article, light machinery and manufactured food products. The sugar Islands, Jamaica, Trinidad, Barbados, St. Kitts, Antigua and St. Lucia, all offer some outlets for industrial equipment required for the processing and transportation of the cane. Similarly, Trinidad's oil industry and Jamaica's bauxite and alumina industries provide markets for every type of equipment.

We find that in the case of many goods—manufactured items as well as foodstuffs and materials—our exports are generally competitive in The West Indies. For example, in recent years we have increased our share of the West Indian market for bacon and ham, leather, motor cars and clothing. Nevertheless, Canada's share of the West Indian market has been declining in recent years, as the figures for Trinidad, Jamaica and Barbados on page 16 show.

Import restrictions against dollar goods were no doubt partly responsible for this decline. Other causes include the growth of domestic industry in The West Indies, the increasing emphasis there on imports of machinery and equipment (a field in which Canada's share of the market is relatively small), and competition from subsidized U.S. flour.

If Canadian exporters are to regain their former position in the West Indian market, it will clearly be necessary for them to make a special effort in the crucial period that will follow the removal of most dollar controls. Particular attention should be given to manufactured goods because, as has been indicated, it is in this field that West Indian imports are expanding most rapidly. Now that, in large measure, the markets of The West Indies are once more open with only minor limitations on imports from the dollar area, it is to be hoped that Canadian manufacturers will have a close look at the new opportunities and take whatever steps they can to capture an increasing share of this expanding market. •

BWI Trade Liberalization Plan to End

THE Honourable Gordon Churchill, Minister of Trade and Commerce, announced on October 14 that agreement had been reached with The West Indies and the United Kingdom for the termination of the West Indies Trade Liberalization Plan, effective December 31, 1959. He said that the Liberalization Plan, which was originally established in 1951, had served a most useful purpose in providing some access to the West Indies for Canadian goods which would otherwise have been completely excluded by import restrictions maintained for balance-of-payments reasons. During the past eight years, as restrictions had been gradually removed, the scope of the Plan had been progressively reduced. As a result of the liberalization measures which had been carried out in the past year in line with understandings reached at the Commonwealth Trade and Economic Conference in Montreal in September 1958, most Canadian exports now entered the West Indies without restriction. It was therefore no longer necessary to keep the West Indies Liberalization Plan in existence.

Mr. Churchill recalled that special attention had been given at the Montreal Conference to ways of improving and strengthening commercial relations with Canada's traditional trading partners in the West Indies. After the conference the United Kingdom had invited all the Colonies to remove restrictions from a wide range of dollar goods. Subsequently there had been two major rounds of trade liberalization in the West Indies, involving the freeing from control of such important Canadian products as canned soups, vegetables and fruits, prepared breakfast foods, kitchen and household woodenware, cellulose and plastic film, pharmaceuticals, proprietary medicines, toys, pens and pencils, and various types of machinery and equipment.

Mr. Churchill said that for the comparatively few items still under import control, the Liberalization Plan would be replaced by a simple system of import licences and quotas administered by the individual West Indies territories. The West Indies had given formal assurances that it would consult with Canada about licensing arrangements for products covered by the Plan that are not yet liberalized, on the understanding that access generally to West Indian markets for Canadian exports of these products will be on terms no less favourable than in the past. The Canadian Government had indicated to the West Indies Governments its hope and expectation that the remaining restrictions on Canadian goods would be removed as soon as possible.

Mr. Churchill pointed out that balance-of-payments restrictions had contributed to the decline in Canada's share of the West Indian market that had taken place since the war years. The new liberalization measures would, he said, open up many opportunities for Canadian goods in this important and historic market and assist Canadian exporters to regain the ground lost. However, he emphasized that competition was likely to be particularly intense in the period immediately ahead and it would be necessary to make a vigorous and determined effort to reap the full benefit of the relaxation in import restrictions and strengthen Canada's position in the West Indian market. He urged Canadian exporters to make full use of the facilities available in the Department of Trade and Commerce for investigating market prospects and locating potential customers in the West Indies. •

Bananas bring dollars to many of these republics.

Mexico and Central America

Costa Rica

El Salvador

Guatemala

Honduras

Nicaragua

Panama

Mexico

mports have fallen as government policy cut down purchases of foreign goods and services, in face of serious problems. Trade vith Canada remained unaffected; our sales to Mexico topped 311 million in first half of '59.

F. B. CLARK, *Commercial Secretary, Mexico, D.F.*

BUSINESS conditions in Mexco improved during the summer nonths after a slow start in the early part of the year. Domestic and xternal problems adversely affected he new regime of President Lopez Mateos soon after he assumed office last December. Heavy rains educed crop yields and Mexico's principal customer, the United States, was still recovering from a ecession. In addition to these probems beyond the power of the new Government to remedy, the business ommunity adopted a wait-and-see attitude until official policies were announced or under way.

Prompt Action Taken

The financial situation had deeriorated as businessmen specified ransactions in foreign currencies, nd peso accounts declined in expectation of a further devaluation. The Government acted promptly with a series of measures designed o renew faith in the value of the Mexican currency. Banks were pernitted to increase credits to mainain funds for business needs; mports were reduced and the ources shifted to decrease the flow of hard currency. A good credit ating abroad permitted government borrowing from foreign sources and his raised the national debt to a new high. Fortunately measures in effect to curb inflation succeeded, o this infusion of capital did not esult in any serious price increases. Private industry responded to the effective performance of the Government and the local currency strengthened.

Government Projects

Although various commercial organizations consider that the national government is already too involved in business enterprises that compete with private industry, a big share of the loans received from abroad is scheduled for government-operated or subsidized concerns. Public investments amounted to US$440 million in 1958 and about 40 per cent of this went to government affiliates or companies with public participation. Official investment plans for 1959 add up to US$507 million, with PEMEX, the government-owned petroleum corporation, scheduled for almost one-half this amount. Other beneficiaries will be the national railroad, such basic industries as iron, steel and cement, and diverse manufacturing, such as paper, fertilizer, textiles, etc.

Despite this aid to industry, official government policy—as announced in the State of the Union address on September 1—inclines towards more assistance to agriculture. Significant projects against erosion are ordered and further irrigation developments are under way. During the last crop year another 700 thousand hectares of land were irrigated and two big dams in the State of Durango will be opened in 1960. Private banks have been instructed to direct a proportion of their deposits towards loans for agriculture and livestock and the government banks have been granted US$96 million in credits to improve beef cattle and dairy herds. Net income from livestock this year is expected to exceed the estimated US$630 million in 1958.

Agricultural Production

Total harvest revenue for the last crop year is estimated at US$1.31 billion. Corn is still the staple food for domestic consumption and a good harvest of white corn, estimated at six million tons, is expected this crop year. The recent wheat harvest was big enough to place Mexico as an exporter for the first time. This was not due entirely to a supply in excess of domestic needs. The northwest State of Sonora is the principal wheat-growing area and transportation for export shipments is convenient compared with delivery to the main local market, Mexico City.

Cotton and coffee are the dollar-earning commodities because of substantial sales to the United States and Canada. A record cotton crop of 2.3 million bales has been sold, mostly to foreign markets, but revenue was not much greater than in 1957 because of lower international prices. Disposal of the crop now being harvested is not expected to pose a problem as a lower yield (600 thousand bales less) is anticipated. Mexico is co-operating with other international producers to stabilize world prices of this commodity.

Coffee production was up 13 per cent for the 1958 crop year but exports declined 12 per cent again in value because of lower prices. Mexico joined with 14 other Latin American producers to export on a quota system in order to stabilize prices. A new agreement was signed in July, effective October 1, under which each country will export only 90 per cent of the amount shipped in the best year of the last ten. It is reported that the French and Portuguese African producers have also agreed to this quota system, but that

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Britain, Belgium and Ethiopia have remained outside the agreement.

Mining and Manufacturing

Oil and natural gas are the most active underground operations as the national oil industry, PEMEX, strives to match production with domestic demand. Imports of refined products will be negligible by the end of this year as local production, up 9 per cent in 1958 over 1957, now averages 300 thousand barrels a day. With loans received from British, French and New York banking sources, refineries are being constructed and new pipelines installed. Mexico City is expected to have natural gas by mid-1961 when a new 25-inch pipeline is opened. Production will then greatly exceed the 1958 record of 7.43 billion cubic metres.

The principal mines in Mexico produce lead, zinc and copper, and as world supply exceeded the needs of the main customer, the United States, operations have been reduced. Mexico attended the third session of the United Nations Conference on lead and zinc in April. It was reported that the available supply of lead for export from Mexico would be reduced by 21,000 tons per year by the end of 1959, and for zinc, 37,000 tons. These reductions result from the import quotas imposed by the United States in October 1958, as well as from the depressed prices. Production of these minerals, however, has not declined too seriously—6 per cent less for lead and 7.8 per cent less for zinc in 1958—so domestic stockpiles have increased.

Sulphur and mercury producers have no difficulty in finding export customers for record yields this year. Precious metals production, mostly gold and silver, remains constant and supplies are easily disposed of in the domestic and export markets. Copper production rose 7 per cent to 64,964 metric tons in 1958, but the income from exports declined.

Foreign investors appreciate the ease of establishing plants in Mexico, and United States investments alone increased US$16 million in 1958. Estimates now place these investments at US$781 million. This influx of capital, primarily for manufacturing, has created a significant middle class. The increased purchasing power of this group has extended the market for consumer goods. Industrial expansion has also resulted in a shortage of skilled workers, but help is on the way as technical training courses have plenty of applicants.

Less Foreign Capital?

Recent developments, however, may reduce the flow of foreign capital to Mexican industry. Recent reports in responsible United States publications have grouped Mexico with some other Latin American countries as a questionable investment risk. These articles are believed to have affected the amount of foreign capital that was to be invested in 1960. In addition, delegates to the annual Association of Chambers of Commerce in Mexico resolved to reduce the volume of foreign investment in Mexican trade and industry. The Mexico City Chamber of Commerce refused to support this resolution. The favourable investment climate was again disturbed with the statement in the Presidential address in September that all firms in the primary material or basic products division must have a majority of Mexican capital. The customary comment that foreign capital is welcome in Mexico did not appear in the Presidential address this year.

With 1950 as a base year of 100, industrial production jumped to 181 in 1958, a 7.3 per cent increase over 1957. The table below indicates production and trends of the principal manufacturing industries.

Trading Topics

Earlier this year an official policy of barter agreements was decreed for all imports purchased by the Government and its official organizations. This was followed by a number of press reports announcing negotiations with certain foreign nations. Japan has offered electrical equipment and small automobiles in exchange for cotton, lead and zinc, but there is no evidence that a direct transaction has been concluded. Last spring, Chile offered newsprint for sugar but a final agreement in these commodities has not been announced. Other countries have expressed an interest in barter agreements but no specific arrangements have been made. Barter regulations permit shipments to third countries in return for goods purchased and as the principal Mexican commodity involved is cotton, exports are arranged, without direct negotiations by the foreign supplier, through the principal cotton brokers in Mexico for a nominal service charge. Government reports claim that these barter requirements have assisted in the disposal of the heavy cotton crop harvested last year.

Mexico is interested in the formation of a Latin American Common

INDUSTRIAL PRODUCTION—PRINCIPAL ITEMS

Products	Unit	1958	1957	% Incr. or Decr.
Primary steel and copper products	metric tons	1,638,312	1,506,038	Plus 8.7
Chemicals (sulphuric acid, caustic soda, fibres)	" "	259,414	237,821	" 9.1
Fertilizers	" "	194,639	186,341	" 4.4
Paper (including cellulose)	" "	506,150	461,745	" 9.5
Electrical motors, transformers, switches	Units	307,639	234,614	" 31.1
Food products	metric tons	2,049,832	1,886,918	" 8.6
Home appliances (radios, TV, refrigerators, washing machines, etc.)	Units	1,071,928	946,953	" 13.2

Market that was proposed by Uruguay, Chile, Argentina and Brazil last April. Dr. R. Prebish, director of the economic commission to promote an agreement, arrived in Mexico from Argentina in September on invitation from the Mexican Government. Misunderstandings on the intent and extent of the proposal were cleared up. Dr. Prebish stated that some form of an agreement is expected between the participants at the next general meeting in February 1960. It is admitted that the European trading arrangement between countries prompted this Latin American proposal and the objectives outlined by the sponsors are similar. One of the expressed ideas of this Latin American Common Market is to process within the union those raw materials that are now over-produced in their present form.

Exports and Imports

With the assistance of import controls, a wide range of high duties, and the careful scrutiny of a government-organized Imports Committee, purchases of foreign goods and services were reduced by US$105 million for the first six months of 1959. Government-controlled operations showed the way with heavy reductions. The railways imported 77 per cent less, PEMEX (the petroleum entity) 37 per cent less, and CEIMSA, the official organization for the distribution of food products, 73 per cent less. The United States, the principal supplier, received a 56 per cent share of the Mexican import business but the value was down US$11.1 million from the first six months of 1958. Imports from other principal suppliers were also down, with the exception of Canada (up US$105 thousand to US$11.4 million), Germany, and Japan.

Exports advanced by US$79.4 million for the first six months of 1959, because of significant increases in shipments to Japan, Germany, the United States and Canada. During this period, cotton continued to be the important export, up US$13.2 million to US$68 million, followed by coffee, up US$-5.8 million to US$55.2 million.

It is apparent that the Government, in power for the next five years, intends to promote further industrialization and thus the pattern of imports will continue to shift from consumer goods to production equipment and primary products. Canada can provide some of the materials needed and, with middle and long-term credits available, business should also be possible in production goods and engineering projects. For further information on the trading picture in Mexico, particularly as it relates to Canada, readers should review the report on this subject in the *Foreign Trade* issue of July 4, 1959. •

MEXICAN IMPORTS IN 1958

Consumer Goods	Value (000'000 $)	Percent of total
Foodstuffs	74.3	
Non-durables (medicinal products, textiles, sporting goods)	31.5	
Durables (automobiles, sewing machines, cameras watches, radios, etc.)	119.1	
Total consumer goods	224.9	19.9
Raw and Semi-Processed Materials		
Chemicals, fuel, lubricants, iron and steel products, tinplate, aluminum, rubber, tobacco, malt, newsprint, pulp, explosives, etc.	384.1	34.0
Capital Goods		
Animals for breeding, seeds, etc.	7.3	
Construction materials	69.8	
Tools, accessories, spare parts	105.7	
Machinery, equipment and vehicles for:		
Agriculture	35.0	
Transportation and telecommunications	92.4	
Industry, commerce and other uses	208.9	
Total capital goods	519.1	46.0

Costa Rica

Costa Rica chalks up increased coffee and banana sales, higher export earnings, improved trade balance, bigger foreign exchange reserves. Outlook good for Canadian exports of flour, newsprint, wrapping paper, side leather and chemical fertilizer.

H. W. RICHARDSON, *Trade Commissioner, Guatemala City.*

IN the past year-and-a-half since the new Government was elected, Costa Rica has attained a satisfactory degree of stability, in spite of the serious slump in the world price for coffee. The Government has sought to diversify the economy wherever possible on a rational basis, though the country remains heavily dependent upon coffee and bananas. Foreign exchange reserves have improved and are half again as large as a year ago, mainly because of a better balance of trade. The rate of import has not yet recovered; therefore imports from Canada and from most countries will probably be close to, or slightly below, those of 1958.

Coffee, Bananas Earn More

Coffee exports earned a record total of almost US$50 million in 1958, despite the world price situation, thanks to the heaviest crop in history of about 1.1 million quintals (one quintal=100 lb). A good 1959-60 crop is also expected but

prices have tumbled to an average of about $41 per quintal and are likely to cut this year's earnings to a more normal US$40 million. At least half the country's dollars still come from coffee; exports in 1959 may come close to last year's 901 thousand quintals.

Bananas also earned more in 1958—US$35 million—though this year's receipts may not be quite as good. Standard Fruit Co. made its first shipment from Costa Rica last December. This company and the other U.S.-owned company, United Fruit, are both expanding and are planting a new disease-resistant variety. A new tax agreement came into force in 1958 whereby these companies pay the Costa Rican Government (and other banana-producing countries) taxes exceeding the previous 50 per cent of assessable corporation income taxes; the balance is payable to the U.S. Government.

Beef Production Rises

Beef cattle raising is expanding more than any other branch of agriculture. A new meat plant is handling 140 head a day, and is exporting meat regularly to the United States. Beef cattle on the hoof are also exported (about 30,000 a year), to Peru and to some Caribbean countries. Experts estimate that some 100 thousand head on the hoof will be exported every year by about 1961.

Sugar production has risen to 900 thousand quintals a year, of which 100 thousand may be exported in 1959, mainly to the U.S. Costa Rica has joined the International Sugar Agreement for the first time, and has been granted a larger quota than is likely to be shipped.

Some rice land has been switched to cotton and cattle and it is expected that 20 per cent of the country's needs of 600 thousand quintals may have to be imported. Production of the other main food crops—corn and black beans—is adequate for local demand.

—United Fruit Compan

Costa Rican workers walk barefoot among drying coffee beans, shovellin them into long neat piles. Last year's crop, at some 110 million pound was the biggest in the country's history and earned about US$50 millio

Cocoa output remains small and exports earned US$3.4 million last year. Cotton growing is relatively new and the crop totals about 25,000 quintals a year, of which less than half is exported. A third cotton gin began operating at the end of 1958.

Trade Strengthens

In the last few years Costa Rica successfully pared down its adverse trade balance to US$4 million in 1958, mainly through an increase in exports from US$83.3 million in 1957 to US$96.9 million in 1958. Imports have been cut slightly and further reductions are probable in future.

An improved trade balance has been mainly responsible for the increase in gold and foreign ex change reserves which have rise from US$13 million at the begin ning of 1958 to US$21 million b January 1959. The improvemen continued seasonally during the firs half of this year, when reserve exceeded US$26 million—quite safe level. However, with still lowe coffee prices, the Costa Rica authorities will have to be eve more prudent in their financia management.

Government Finances Improve

In recent years deficit financin has created problems for Cost Rica. However, the present adminis tration has had remarkable succes in holding down expenditures an managing the country's finances

The public debt has been cut by almost 5 per cent to about C.145 million external and C.240 internal.* A conversion settlement with the French Bondholders Association has been reached providing for 10 per cent payment in cash and the balance in new bonds. The budget for 1959 seems more realistic and will probably result in lower total expenditures than last year, at about C.325 million.

Two foreign loans have been granted this year to Costa Rica and others are being considered. The World Bank granted a US$3.5 million loan for the financing of agricultural machinery and supplies, livestock and light industry; this was a repetition of a similar loan granted in 1956. The U.S. Export-Import Bank granted a US$5 million loan for financing Costa Rica's share of the Inter-American Highway from the capital to the Panama border. Other loans are being negotiated with the World Bank, the Development Loan Fund, the Export-Import Bank and a U.S. commercial bank for various projects, including hydro-electric development and highway construction to permit more diversification in agriculture.

Shipping and Industry

Late last year, Costa Rica passed a law whereby it will no longer offer cheap ship registry; such countries are referred to as offering "flags of convenience". As from 1959, Costa Rica will grant no shipping registry permits for foreign vessels.

The new 30,000 kva. hydro-electric plant "La Garita" began operating in May last year. The Costa Rican Electrical Institute, a government agency, is conducting preliminary surveys for a plant of similar scale on the Rio Macho. These projects should go far toward easing Costa Rica's chronic power shortage.

Tenders were called in January for a new country-wide telephone system, and the contract was awarded to an Italian-U.S. group for US$15 million.

In addition to the new meat plant and the cotton gin, a large nylon hosiery plant was set up early this year. The well-known aircraft repair firm (Servicios Aerotécnicos Latino-Americanos) has enlarged its facilities and moved out to the new international airport at El Coco.

Two U.S. companies in a joint operation are continuing oil exploration and deep drilling, but so far without success.

Canadian Opportunities

With substantial increases in sales of flour, wheat and newsprint, Canadian exports jumped from Can.$2.4 million in 1957 to Can.$2.9 million last year. This over-all improvement is not continuing in 1959, however, because exports of flour, newsprint and side leather (the three leading products) declined during the first six months. The final total is likely to be almost midway between the last two years' figures. Canada's purchases from Costa Rica, mostly of bananas and coffee beans, usually total more than Can.$7 million a year, thus creating a substantial balance of trade in Costa Rica's favour.

Prospects are that 1960 will be better for exports of flour, newsprint, wrapping paper, side leather and chemical fertilizer. Canadian exporters of these goods should contact the Trade Commissioner in Guatemala City if they do not already have good direct sales connections in Costa Rica. Businessmen will find that collections are satisfactory, but that care must always be taken because the country has no automatic protest procedure against importers not honouring time drafts. Exporters are advised to keep all shipping documents in their own name, and to give Costa Rican banks specific instructions when to release the documents for clearance through customs. •

*US$1.00=6.63 colones, or 5.60 colones for certain essential imports.

El Salvador

Depressed world coffee prices cut into government revenues last year and exports declined. But trade balance remained favourable and outlook is good.

R. M. DAWSON, *Assistant Trade Commissioner, Guatemala City.*

LARGE coffee and cotton exports, plus political and monetary stability, have steadied El Salvador's economy and prevented too great a contraction in commercial activity during the past year.

Exports of coffee, which account for about 75 per cent of the Republic's export earnings, tumbled some 10 per cent from recent years. The 1958-59 crop totalled 1¼ million bags of 69 kilos. But the average price of 40 cents a pound, 10 cents below the previous year's prices, cut revenues sharply. The crop year starting in November will probably bring lower prices than last year, though early futures for December delivery were running 38 cents a pound for standard grade.

Government Revenues Down

Although the depressed coffee market jeopardizes the income of producers, it affects the Government even more. Roughly 20 per cent of all government income comes from an export duty on

coffee, based on a sliding scale according to price. The tax, which declines with the price of coffee, acts as a hedge for the exporter, because a drop in the price is partially offset by a decrease in export tax. Government revenue from this source, which reached 191.4 million colones in 1957 (Can.$1.00=2.6 colones), fell to 170 million in 1958, and estimates place 1959 earnings at between 155 to 160 million colones.

The record 1958-59 cotton crop totalled 175 thousand bales of 500 pounds each. A decline in prices has discouraged further expansion and plantings for the 1959-60 season are expected to be 23 per cent below last year's record.

Flour Mills Planned

Developments in the flour-milling industry have been important. Until now El Salvador has had only one 20-ton-a-day flour mill, which could supply only a small percentage of the market. Because no wheat is grown locally, the country has become a sizable market for flour exporters. Canada has shared in this market, selling an average of $600 thousand worth of flour a year for the past five years, but it will now be limited to making offerings of wheat for the local milling of flour. It is expected that if present plans to set up mills are carried through, El Salvador will be able to export flour to neighbouring Honduras and Nicaragua.

The only flour mill now in operation has bought new machinery that will boost production 100 per cent to 40 tons a day; it is expected to start producing by May 1960. Another group, consisting of El Salvador industrialists, has ordered a mill that will turn out a minimum of 85 tons a day, which they hope eventually to expand to 185 tons. A third mill is expected to be built using English equipment and should produce from 145 to 220 tons a day; this one will probably come into production later than the other two.

El Salvador continues to seek foreign investment capital. With a high population density on only 8,000 square miles, which are already intensively cultivated, efforts must be made to diversify the economy and to stimulate new industries. This past year a new shrimp-freezing plant was opened with a freezing capacity of 3,500 pounds an hour; most of the production is shipped by air to the United States. A new plant was also opened to package German pharmaceutical products, and currently under construction are factories to press gramophone records, to make paints and concrete building materials, and to refine sugar.

Common Market Discussed

The setting-up of a Central American Common Market has stimulated interest in capital investment throughout the area. Some progress has been made in implementing the treaty since it was first reported in *Foreign Trade*, issue of November 8, 1958. El Salvador, Guatemala and Nicaragua have ratified the agreement so that it is now operative between these three countries. The list of products which can enter each country duty-free is limited in scope and has virtually no effect on Canadian trade with the region.

In conjunction with the Common Market Agreement, an effort is being made to formulate an agreement on industrial integration. Under terms of a draft treaty, not to come into effect until it is signed by all five countries, a particular industry, if approved for establishment in one of the Central American countries, would be entitled to successive import tariff reductions of 10 per cent each year for a period of ten years, in the other four countries. It is expected to be some time before such an agreement can be implemented, but interest in it has stimulated investor interest in Central America, particularly from the United States. El Salvador, with its favourable investment climate, is making the biggest effort t attract this capital.

Japan has initiated a trade driv in El Salvador by exchanging trad delegations with El Salvador indus trialists. Japanese business interests already the biggest buyers of El Sal vador cotton, have been examinin the prospects of investing there. On of the largest textile mills is owne jointly by Japanese and Salvadorea businessmen. This year, for the firs time since World War II, th Japanese won a government tende to supply a generator and turbin to the Hydro-Electric Commission

Industries Encouraged

A new import tariff was adopte in January. The revision of the tari involved the adoption of the stand ard tariff nomenclature alread approved by the other four Centra American countries for use unde the Central American Free Trad Treaty. The new tariff structur consists of two columns of specifi and ad valorem duties applicabl to products instead of only specifi rates under the former tariff. Th former consular fee of 6 per cen ad valorem has been eliminate and now replaced by the new a valorem duties. The changes wer made to encourage local industr —duties on luxury goods were in creased, and those on raw ma terials and equipment for industr were reduced. Preferential tari rates, which were previously grante under agreements that were in forc with France and Italy, have bee incorporated in the new tari schedule and benefit all thos nations with whom El Salvador ha a most-favoured-nation agreement The preferences are either similar t or slightly less than before an apply to Canadian products sinc Canada has a most-favoured-natio trade agreement with El Salvador The preferential rates for product listed in the 1937 trade agreemen with the United States have bee retained and also apply to simila Canadian products.

El Salvador has received tw loans from the International Ban

for Reconstruction and Development this year. The first was a US$5 million loan to the Government to build a network of feeder roads off the IBRD-financed coastal highway, and thus open this area to further agricultural development. The second, totalling US$3 million, went to the Lempa Hydro-Electric Commission (CEL) to expand IBRD-financed hydro-electric power-generating and distribution facilities.

Favourable Trade Balance

El Salvador had a favourable balance of trade in 1958, though both exports and imports slumped from the 1957 record. A 9 per cent dip in imports was attributed mainly to smaller purchases of building materials. The drop in income from coffee accounted for the decline in the value of sales abroad. Exports in 1958 totalled 290.0 million colones and imports 270.1 million colones, for a favourable trade balance of 19.9 million, compared with 58.6 million in the previous year. Preliminary statistics for the first six months of 1959 show that exports have risen and imports declined, creating a favourable trade balance of 83.5 million colones compared with 40.4 million in the same period last year. Most of the cotton and coffee is shipped during the first part of the year, so it is difficult to predict whether the favourable balance will continue. It should, barring any sharp drops in the price of cotton and coffee.

Outlook for Canadians

Canadian sales to El Salvador for the first six months of 1959 have been running slightly ahead of last year. However, about 35 per cent of the $1.25 million worth of business represents flour sales. Therefore, unless Canada can sell wheat in comparable quantities when the local flour mills are established, our exports will fall off considerably.

Canadians bought over $2 million worth of cotton from El Salvador in the first five months of 1959, compared with some $881 thousand worth in the previous year. Good quality, well-graded cotton from El Salvador seems to have found a ready acceptance in Canada.

Prospects for improvement in El Salvador's economy over the short-run are not too encouraging. Coffee and cotton prices are unlikely to be maintained and this will probably be reflected in a decline in economic activity, including some contraction in imports of consumer goods. However, El Salvador has a reputation for good management, and if the country continues to adjust itself without too great strain to the lower level of income, economic stability will be maintained and a favourable long-term outlook ensured. •

Guatemala

Unfavourable trade balance and drop in foreign exchange reserves has hastened the introduction of new protective tariffs on consumer goods; prospects are good for selling some Canadian products, particularly raw materials.

H. W. RICHARDSON, *Trade Commissioner, Guatemala City.*

GUATEMALA has just passed through a period of the most rapid expansion in its history—from 1955 to 1958. This year, however, a recession has set in, and the end is not yet in sight. A heavy slump in coffee bean prices in the last two years, plus some political uncertainty this year, has changed the economic situation. The steep slide in Guatemala's foreign exchange reserves during 1958 has been checked in 1959 for the time being by a general cutback in imports, especially of consumer goods.

Canadian exports to Guatemala, after rising steadily to a record total in 1958, are running at only 60 per cent of last year's figures; this seems typical for most countries supplying this market.

Export Earnings Down

Guatemala depends for almost three-quarters of its foreign exchange upon coffee bean exports, and average prices per 101 pounds have slipped from US$65.21 in 1957 to US$49.96 in 1958 and probably to about US$41.00 this year. Foreign exchange receipts have thus continued to decline. Crops were good two years ago, excellent in 1958 and probably fairly good this year. The 1957-58 crop totalled about 1.9 million quintals of 101.4 pounds, of which a record 1.6 million quintals were exported. The 1958-59 crop totalled some two million quintals and a similar portion was exported. Principal purchasers were the United States, West Germany, Sweden, Canada and Belgium.

Banana exports in 1958 declined to 2.5 million quintals valued at US$8.6 million, from 2.8 million quintals worth US$9.4 million the year before. During the first half of 1959, several severe blow-downs caused extensive damage in the U.S.-owned plantations near both coasts; this year's banana exports are therefore expected to drop even further. The U.S. and Canada usually buy most of the crop.

The country's third export is raw cotton. Production remains at about

—IBRD Photo.

This newly completed steel and concrete bridge crosses the deep canyon of the Las Vacas River at Guatemala City. From here, the new Atlantic Highway runs northwest for 200 miles and provides the capital's first road link with the Caribbean coast.

300 thousand quintals a year and low prices discourage bigger plantings. About 65,000 quintals are consumed locally, and Japan has been buying over a third of the exports, followed by Italy, France, Spain and West Germany.

There was a big drop last year in the output of essential oils because of competition from Formosa. Other minor exports—such as chicle, timber and crude rubber—remain unchanged.

Guatemala is almost self-sufficient in corn, black beans and rice, which are the principal foods in the rural areas. Wheat growing continues to be aided artificially by high guaranteed prices to farmers to reduce wheat and flour imports. Milling capacity is expanding considerably—a development that is rapidly changing Guatemala from a flour importer to a wheat importer.

Adverse Trade Balance

After many years of favourable trade balances, Guatemala found herself with a deficit of US$22 million in 1957 and US$32 million in 1958. C.i.f. imports totalled US$134 million in 1958 and f.o.b. exports only US$102 million; imports were at a record high but exports dropped nearly 6 per cent. Sales abroad are expected to decline further in 1959, but a greater drop in imports should reduce the trade gap.

These developments have been largely responsible for the decline in Guatemala's foreign exchange reserves—from US$79.4 million at the end of June 1957, to $49 million at the end of 1958 and to $48.6 million at the end of June 1959. Economic aid transfers from the U.S. for roadbuilding, agriculture, workers' housing, etc., have totalled about $12 million a year, and have prevented the decline from being much worse. Now this aid is tapering off. The only international loan that Guatemala has negotiated this year is $5 million from the Development Loan Fund to foster crude rubber plantations. A bill is pending in the Guatemalan Congress for approval of bond issues totalling Q.40 million (1 quetzal=Can. $1.05) for various projects. It i[s] not yet clear, however, whether a[ll] of this could be raised internally, especially since the Government'[s] revenues have been deteriorating.

Communications Improved

The Atlantic Highway from th[e] capital to the main ports on th[e] Caribbean is now in full use and i[s] almost all paved; a trip that formerly took two days now takes les[s] than five hours. Work is progressin[g] on the Pacific Coast Highway whic[h] will join similar roads parallellin[g] the coast a few miles inland i[n] southern Mexico and El Salvador. The new highways are already contributing to much-reduced transport costs for many Guatemala[n] districts; the main ones were financed principally by the Worl[d] Bank. In the highlands, work sti[ll] continues, but slowly, on th[e] Guatemala link of the Inter-American Highway from Mexico to E[l] Salvador; two-thirds of the cost i[s] financed by the U.S. Governmen[t].

The direct shipping servic[e] between Montreal and the Caribbean ports of Guatemala, Hondura[s] and British Honduras, begun i[n] June by the Guatemalan line Flot[a] Gran Centroamericana, fills a long felt need. It is hoped that enoug[h] tonnage will be developed to kee[p] this service operating, because [it] makes Canadian and Guatemala[n] exports more competitive in eac[h] other's country by reducing shippin[g] and handling charges.

What's New in Industry?

The tempo of oil exploration i[s] quickening. The first explorator[y] wells are being drilled this year an[d] one of them has already give[n] promising results.

Construction of Central America's first oil refinery, a small unit fo[r] local needs, is scheduled to begi[n] early next year at the new nationa[l] Caribbean port of Matias de Galvez. Shell Oil will have about one-hal[f] interest.

Industrial output, mainly of consumer goods, expanded considerabl[y]

during 1958 and early 1959, but increases are expected to be smaller from now on. New plants beginning to produce this year are turning out paints and varnishes, bleached and unbleached paper, crown bottle caps, chewing gum, soap, spaghetti, tin cans, slide fasteners, detergent, screw bottle tops, fruit juices and tomato products.

In the second quarter of the year, a new thermal unit was completed for the power company supplying electricity to the capital city area; now, for the first time in many years, there is a power surplus. In June, Congress approved a decree establishing a national electrification institute (INDE) outside the capital city area.

Customs Tariff Changes

A new customs law and tariff came into force on January 15, 1959. The new tariff structure is based on the uniform Central American customs nomenclature (NAUCA), with most goods now subject to both specific duties on gross weight and ad valorem duties on c.i.f. value. All other special import charges have been cancelled, as well as the few previous import quotas and restrictions. The exceptions are tires and tubes made in Guatemala, narcotic drugs and similar contraband.

The new tariff rates are mostly higher and frankly protectionist; they penalize consumer goods that can be made domestically and favour the import of machinery and raw materials. This adversely affects the established market here for Canadian flour, tires and tubes, upper leather, shell eggs and automobiles.

In addition to the new tariff rates, Guatemala in April imposed a surcharge of 100 per cent of the duties payable from over 20 countries and colonies with which Guatemala has had a relatively high adverse trade balance in recent years; the only important countries affected were the United Kingdom and Mexico. The imposition of these surcharges has been of slight indirect benefit to other trading countries such as Canada, which can supply whisky, canned foods, fabrics, radio and television sets.

Canadian Sales Rise

Canadian exports to Guatemala reached a record Can.$3.7 million in 1958; the biggest increases were in wheat flour, wheat, malt, cowhide upper leather, kraft paper, whisky and agricultural implements. We sold slightly more to Guatemala than we bought from her for the first time since the war. This year, however, our imports from Guatemala are likely to rise and reverse the balance again, in spite of the lower prices for Guatemalan coffee beans, which in 1958 earned Can.$1.7 million in the Canadian market.

Prospects for the sale of most Canadian goods, particularly leather, look less hopeful this year. But there are promising exceptions: sales of some industrial raw materials such as synthetic rubber, nylon yarn, a few chemicals, and possibly wheat, should improve over 1958. •

Honduras

The new Honduran Government, assisted by foreign loans, is making slow but steady progress in building up the economy. Exports are climbing; trade balance favourable; outlook for 1960 good.

H. W. RICHARDSON, *Trade Commissioner, Guatemala City.*

THIS large, undeveloped country in Central America has been making an impressive recovery in recent months from the serious situation it faced at the beginning of 1959. Foreign exchange reserves, which had sunk from US$22.6 million in June 1957 to US$8.3 million at the beginning of 1959, totalled US$20.5 million at mid-1959, partly because of a reduction in imports. The tempo of business remains slow, and some political unrest continues after the disturbances at the middle of the year. Prospects for 1960 are better.

Export Earnings Maintained

Bananas are still the main export and, though there was once again damage from blow-downs, production is estimated at close to 1958's 13.8 million stems, of which 13.5 million were exported, mainly to the United States and Canada. One U.S. banana company has been operating profitably in Honduras (United Fruit Co.), though the other (Standard Fruit Co.) has suffered many losses. Two different diseases are attacking the plantations and science has still not turned up any remedy for either. The area under cultivation continues to shrink as districts become disease-ridden, though heavier yields per acre in recent years have compensated for this.

Agricultural Developments

Coffee production in 1958 was very good, and the 1959 harvest has totalled a record 440 thousand quintals (one quintal=100 lb.), of which 300 thousand will probably be exported. This increase is expected to improve Honduras' foreign exchange position which suffered from the drop in world coffee prices. Four years hence, production should get another big boost as a result of

the two million coffee plants distributed to growers this year.

The Government, in eliminating marginal land, has cut cotton production by more than one-half. Ninety per cent of the 1957-58 crop of almost 16,000 bales was exported, mainly to Japan, France, Belgium and Italy. A second cotton ginning plant was opened early this year, so that most Honduran cotton can now be processed locally rather than in El Salvador. To help offset the decline in world cotton prices the Government abolished a tax on growers of L.1.50 per 100 pounds at the end of May. (2 lempiras= Can.$1.00).

Timber exports fell from L.15.3 million in 1957 to L.12.8 million last year. But demand for pitchpine and mahogany has strengthened, and 1959 results should be better.

Cattle-raising continues to expand. Exports of live animals and meat are rising steadily and now bring in more than L.5 million a year. Some shipments by air of chilled and frozen beef to the United States began this year. The U.S. Export-Import Bank granted a credit of US$600 thousand to the National Development Bank for the purchase of 1,000 purebred beef and dairy animals.

Sugar output is rising and some 330 thousand quintals are produced a year; Honduras should soon be self-sufficient in this product. The yearly crop of corn, which is the country's main cereal, totals some 6 million quintals and is adequate for Honduras' needs. The only grain imported is wheat in the form of grain and flour; the Honduran climate is not suitable for wheat-growing.

Help from Foreign Loans

The new Government under Dr. Villeda took power early in 1958 and inherited a legacy of financial and other problems. It was expected that at least a year would be necessary to put affairs into order, but meanwhile, other troubles developed.

Honduras had to begin 1959, therefore, by requesting emergency aid from the International Monetary Fund. A standby credit for a year of US$4.5 million was granted, contingent upon (1) a reduction in the national budget from L.89.6 to L.85 million, (2) restraint in short-term overseas borrowing, and (3) no further increase in the net internal debt. A new Minister of Finance and Economy has been highly successful in implementing these conditions, and it is unlikely that the credit will be drawn upon, even though general business conditions have only slightly improved.

In April two U.S. banks granted a commercial loan of US$1.5 million. This has been applied to reducing the floating debt and covering part of the expected budget deficit.

In May the World Bank approved a loan of US$1.45 million for adding interim hydro-electric generating capacity to the capital city area and improving its distribution system. A survey is to be undertaken of the technically attractive Rio Lindo project that will eventually need almost US$20 million.

These loans are additional to previous ones from the World Bank, Export-Import Bank and Development Loan Fund for various important and long-needed highway construction projects; the amounts totalled US$15.15 million, part of which is being spent this year. The highway projects should be largely finished by the end of 1960, and should make a significant contribution to the development of many isolated areas.

A final financial vote of confidence in the country's future and in its Government came from the Bank of London and Montreal (50 per cent Canadian-financed), which was granted a franchise to open branches in the country and to bring in capital of US$1 million. The total capital was deposited with the Central Bank in June and the bank's first branch in Tegucigalpa was opened on October 1.

Exports climbed in 1958 and th improvement is expected to co tinue in 1959; imports remain low than in 1957. Exports totalle L.127.8 million in 1957 a L.151.3 million in 1958, a imports L.137.4 and L.132 millio This created an adverse tra balance of L.9.6 million in 195 and a favourable balance of L.19 million in 1958. The trade balan this year should also be favourab as long as imports remain moderat

The favourable trade balanc plus foreign loans, has made po sible an excellent recovery in forei exchange reserves from the dange ous low of US$8.3 million in Jan ary 1959, to US$20.5 million June 30.

Industry Progresses

The first cement factory Honduras, near San Pedro Sula the north, began operating in Ju with initial output of 4,000 tons month; expansion to 10,000 tons month is planned.

A U.S. group, including Crow Zellerbach Corp., is conducti surveys in north-central Hondur for the ultimate establishment of large pulp mill. A small pape making unit for newsprint, wrappi and other papers, now imported Central American countries, w probably be attached to the mi No final plans have yet been ma public.

Canadian Trade Prospects

Ever since Canada and Hondur signed the 1956 most-favoure nation agreement, there has been steady growth in two-way trad Last year, trade both ways reache a record high as Canadian pu chases from Honduras totall Can.$4.9 million and sales Honduras Can.$1.2 million. B cause of depressed business cond tions, and particularly because o biggest export to Honduras, tann side leather, has increased sharp in price during most of this yea Canada's exports in 1959 are n likely to reach last year's record.

Canadian exporters of competitively priced consumer goods should pay close attention to this market, where they enjoy a tariff advantage in some products over suppliers in all other countries, except the U.S. and Central America. The Honduras tariff schedule is now under review and higher duties may be expected on certain consumer goods late in 1960.

Canadian exporters will find good shipping services to Honduras, particularly by the Flota Gran Centroamericana direct from Montreal to Puerto Cortes, and also by several lines direct from Vancouver to Honduras' Pacific port, Amapala. For details, see page 43. ●

Nicaragua

Business activity is slow; fall in world prices for important coffee and cotton has reduced government reserves and forced tariff increases. But Canadians should note opportunity to share in supplying country's large foodstuffs imports.

R. M. DAWSON, *Assistant Trade Commissioner, Guatemala City.*

BUSINESS is poor in Nicaragua this year. This economic deterioration also has contributed, in part, to political unrest which, after several months of uneasiness, culminated at mid-year in an abortive attempt to overthrow the Government. For the present, political stability has returned and, although business activity is still slow, there is some prospect of a slight improvement in the situation by the end of the year.

Nicaragua for many years has been the only Central American republic to maintain a system of import registration and licensing requirements. Under it the importer is required to make a 30-day deposit in local currency with the Banco Nacional (National Bank) of Nicaragua for 100 per cent of the c.i.f. value of goods, except for a few basic essentials which are exempt, before he can be granted an import licence. This deposit is refunded on actual import of the goods. This system has created quite a few financing problems and has raised the cost of imported goods to the consumer. However, a Canadian exporter can ship under these terms with confidence that he is assured of payment. With the recession, a rather tight money situation exists in Nicaragua and many small customers are hard put to make regular payments on their purchases. Most well capitalized firms are measuring up to the situation, but numerous small companies are finding it difficult to stay in business without special financial assistance.

Open Dollar Market

Nicaragua is an open dollar market with no import or exchange restrictions other than this deposit requirement which applies equally to imports from all countries. In addition, Canadian exports receive full most-favoured-nation tariff treatment in Nicaragua by virtue of the trade agreement between Canada and Nicaragua, supplemented by provisions of GATT of which both countries are members.

Efforts are being made by the Central Bank to improve the availability of credit for productive purposes. In the past, many recipients of loans destined for agricultural production, particularly cotton, have diverted these funds to building and other forms of investment. The Central Bank has emphasized the desirability of eliminating "intermediary" loans, a reference to the practice among large landowners of obtaining bank loans and afterwards relending the funds to small farmers at higher rates of interest.

Faced with falling reserves as a result of the serious decline in world prices of coffee and cotton, which account for 70 per cent of the country's exports, the Government introduced, by an omnibus decree of March 4, 1959, a series of revenue-producing measures including an increase of duties affecting approximately 50 per cent of Nicaragua's total imports. Assistance to cotton producers was provided through an increased subsidy which amounts to nine cordobas (seven cordobas equal US$1.00) per quintal (100 lb.) of ginned cotton on the 1958/59 crop. To assist exporters faced with declining world coffee prices, an export tax of three cents a pound on coffee was removed. This deprives the Government of about US$1.5 million in revenue. Customs duties applicable to approximately 500 tariff items were increased by 10 or 15 per cent of the c.i.f. value. In most cases the specific duties on these products remained unchanged. Additional revenue measures introduced increases in income tax, raised the consular fee levied on all imports from 5 to 7 per cent, and imposed a tax of 6 per cent on air passages out of Nicaragua paid for in the country.

The temporary tariff increases which have been applied to imports from all countries on a non-discriminatory basis do not appear to have affected many Canadian prod-

ucts. However, the duty on wheat flour, our most important export to Nicaragua, has been increased from US$0.02 per kilo plus 10 per cent to US$0.03 plus 10 per cent ad valorem.

Food Imports High

For a nation well endowed with good agricultural land, Nicaragua imports a surprising amount of foodstuffs. During 1958, US$6 million or 7.7 per cent of total imports were foodstuffs. Once called the granary of Central America, Nicaragua in recent years has concentrated on cotton and coffee production at the expense of sound diversification. The current poor market for these two commodities has brought the problem into sharp focus and definite steps are now being taken to combat the imbalance. The cotton boom of recent years, and the Government's encouragement of cotton production by offering attractive loans, drove many producers of food crops into cotton. The realization that this year imports of beans, corn and rice are necessary has convinced the Government that it must implement a policy of diversifying agriculture. Marginal cotton lands are now being turned over to rice, corn, and beans. To improve corn output, the National Bank will extend credits covering production costs, the Ministry of Agriculture will provide technical assistance, and minimum prices will be guaranteed to producers.

Irrigation projects now being planned should help raise food production and aid diversification. Negotiations are under way with the World Bank for a loan of US$6.6 million for an irrigation scheme. Also, the Bank is studying the feasibility of granting a loan of US$5 million for crop diversification. Meanwhile, an experimental program for growing potatoes has begun; Kennebec seed from Canada is being used.

Cattle, Cotton and Coffee

Air shipments of frozen meat to the United States are increasing. Although processing facilities are expanding considerably, Nicaragua will probably continue to export approximately 50,000 head of cattle a year, with a value of US$5 million. From March to May this year, exports to the U.S. reached 18,000 head valued at US$2 million. Nicaragua is particularly well-suited to cattle raising, and as soon as a highway to the east coast is completed, excellent new grazing lands will be accessible.

Income from cotton exports, including carry-over from last year's crop, is expected to total about US$26.5 million this year; 1958-59 production was approximately 1,650,000 quintals of which 1,015,000 quintals were exported at the relatively low average price of US$21 per quintal. Plantings for the coming season will be about 20 per cent less than last year.

This year's coffee crop sold for approximately US$15 million, nearly US$10 million less than last year's. Coffee exports in 1958 accounted for 34 per cent of foreign exchange earnings at US$24.2 million. However, this coming season's crop is expected to be slightly larger than the 400 thousand quintals in 1958.

Finance and Development

Smaller export revenues have forced the Government to lower the 1959/60 budget by 5 per cent from the previous year to 274.2 million cordobas. A budget deficit of 6.9 million cordobas is anticipated which will be absorbed by existing reserves.

Short of electric power for industrial development, Nicaragua is anxious to obtain a loan from the World Bank to develop power on the Rio Tuma—US$12.5 million has been mentioned. However, the complete project is expected to cost approximately US$20 million.

With the assistance of a UN agency, a survey of forestry conservation and development was made recently. The area under supervision is located in the northern part of the Atlantic coastal region. Under a long-range progran to open up the area, taking som 12 years, it is estimated that timbe exports from the region could b equivalent in value to current com bined exports of coffee and cotton that is $40 million.

The Industrial Development Lav of March 12, 1958, granting duty free entry of capital goods, resulte in 16 new companies during th first quarter—two spinning an weaving mills, a soap factory, tw ready-made clothing mills, an ic plant, two sugar mills, a brush fac tory, a candy factory, a tannery a tin factory, a plant for medicina products, a metal factory, an ic cream plant, and a coffee-roastin plant.

Import Picture

Nicaragua's 1958 imports b main commodity classifications wer as follows:

	Millions of US$	Pe Cen
Machinery and apparatus	12.2	15.
Chemicals and pharmaceutical products	11.0	14.
Iron and steel manufactures	6.7	8.
Vehicles and parts	6.5	8.
Foodstuffs	6.0	7.
Oils and fats	4.5	5.
Cotton manufactures	4.5	5.
Motor fuels	2.7	3.
Rubber, etc., and manufactures	2.4	3.
Paper manufactures	1.9	2.
Silk manufactures	0.9	1.
Others	18.6	23.
Total imports	77.9	100.

Canada supplied 2.4 per cent o Nicaragua's total imports, and th products were, in order of impor tance: wheat flour, drugs and chem icals, side leather, newsprint, minin machinery and parts, and calciun carbide. Sales of most of thes should hold up reasonably well i 1958, except for side leather whicl is not being imported until th recent high North American price drop to normal. Nicaragua's larg imports of foodstuffs indicate a opportunity for Canadian supplier but they should remember that thi is a very price-conscious marke with low average incomes. •

Panama

Revenue from tourists, Canal vessels, and the Canal itself give Panama sound dollar income, make it a good market. Colon Free Zone also worth study by Canadian exporters.

R. M. DAWSON, *Assistant Trade Commissioner, Guatemala City.*

PANAMA'S economic outlook remains buoyant this year. Commercial activity is brisk, the building industry continues to enjoy a boom, and basic food production is now exceeding domestic requirements.

Unlike many countries Panama does not depend on trade surpluses to maintain a satisfactory balance-of-payments position. Imports last year amounted to US$93.1 million, and exports totalled only US$21 million. Because the country is able to earn dollars in other ways and is not dependent on balancing imports and exports, trading conditions remain reasonably stable from year to year.

In addition to tourist income and sales to vessels using the Canal, Panama earns a substantial amount from the Canal itself. Out of US$49 million spent by the United States Armed Forces in the Canal Zone in 1958, over one-third directly benefited Panama. The sum of US$10.5 million was paid directly in wages to non-United States citizens employed in the Zone, in addition to considerable expenditure for purchases, contracts, and services obtained in the Republic.

Agriculture

The 1958-59 crop year provided Panama with harvests of corn, coffee, sugar and rice exceeding domestic requirements. The corn crop reached 1.7 million quintals (1 quintal equals 100 pounds). During the first quarter of this year, 67,000 quintals were sent to Europe; however, they were sold at a loss and to encourage more local consumption the price has been lowered. A coffee surplus of 20,000 quintals was exported.

Banana exports for 1958 totalled 7.4 million stems, equal to the previous year, and this continues to be Panama's leading export. Strong winds in February and March of this year have levelled approximately 1.5 million plants, so shipments for 1959 will probably be 10-15 per cent below last year. A Swiss company has been negotiating a contract with the Government to cultivate bananas in Darien Province, the heavily forested region between the Panama Canal and the Republic of Colombia. If the company goes forward as planned, it could involve an investment of US$8 million.

Shrimp Fishery

Shrimp-fishing fell off during 1958 when the shrimp virtually disappeared from their usual feeding grounds. Changes in ocean currents were reported to be partially responsible for the poor fishing, though the chief reason, according to informed sources, appears to be over-fishing. No recent figures are available but latest reports in the trade indicate that shrimp catches have improved considerably. In the first nine months of 1958, this second important export of Panama earned US$4.3 million.

Financial Developments

The Panamanian Government successfully floated a US$16 million loan in New York in November 1958. More than half of the proceeds will be used to pay off loans to the World Bank and the United Fruit Company and the remainder to redeem local indebtedness. However, the Government's deficit financing remains a problem at least until after this winter's election.

The National Assembly has authorized the Administration to contract new loans of US$4.5 million to finance an electrification program and a US$11 million loan to cover port construction at Colon. Bids to supply and install a modern national telecommunications system estimated to cost about US$3.5 million were invited for October 30, 1959, and a Canadian company is expected to submit a quotation.

Canal Transits

Panama Canal transits during the the first quarter established a record of 29.3 ocean-going ships per day. March established a monthly figure of 1,010 transits, though such a rate was not expected before 1970.

Increased traffic has forced the Canal authorities to budget sooner for improvements that will take three or four years to complete. Included are the widening of the Gaillard Cut, replacement of the present towing "mules", and constructing extra mooring facilities. Work on the Gaillard Cut, involving the removal of 5.4 million cubic yards of earth, will widen the Canal at its base from 300 to 500 feet and is expected to be completed by early 1962. Bids for the new towing mules have been opened but to date no award has been made.

Conversion of the electrical frequency systems in the Canal from 25 to 60 cycles is virtually completed; this work has been carried out by a Canadian firm.

Colon Free Zone

Over 9.4 million kilograms of merchandise valued at US$20.5 million were handled by the Colon Free Zone during the first quarter of 1959. Incoming merchandise exceeded 1958 movement by 13 per cent in value, and goods withdrawn during the period were 39 per cent above 1958. In both cases the ton-

nage of shipments fell from the preceding year. This probably attests to more efficient use being made of the Free Zone, because it is particularly suited for handling items like pharmaceuticals, some chemicals, and other products high in value and low in bulk.

Re-export by air from the Free Zone accounted for 55 per cent of withdrawals during the first quarter, and most of these shipments were apparently destined for South and Central American countries. Re-export by sea took 23.6 per cent of withdrawals, with the remainder going to the Republic of Panama, ships in transit, and the U.S. Canal Zone.

Canadians Use Zone

A few Canadian companies are now taking advantage of the services of the Colon Free Zone for prompt and economic distribution throughout much of Latin America. The indirect benefits accruing to firms using the Free Zone may not have become apparent to many Canadian exporters doing business in South and Central America. Shortage of working capital is currently a major problem with commercial firms throughout Latin America, and suppliers who can offer their customers prompt but regular shipments of small orders from the Free Zone can often build up a better sales volume. The Free Zone, with its excellent air and sea connections to all parts of Latin America, is ideally situated to establish an assembly point for bulk goods to be repacked and distributed to neighbouring countries.

Canadian firms wishing to obtain complete information on the benefits of the Free Zone should write to: The General Manager, Colon Free Zone, Colon, Republic of Panama, or to the Canadian Government Trade Commissioner, P.O. Box 400, Guatemala City, Guatemala, C.A.

Work on the US$50 million oil refinery located at Las Minas Bay, on the Atlantic side, is proceeding satisfactorily. The refinery, expected to be in production by mid-1960, will have a capacity of 60,000 barrels a day. Two docks will be constructed. One, the refinery dock, will be large enough to handle two 87,000-ton tankers at a time; the other will be used to handle freight destined for the Republic of Panama. A refinery spokesman has stated that when the new freight dock is completed, shippers will be able to effect savings because of lower port-handling charges than at Cristobal, in the U.S. Canal Zone, the port through which goods are currently consigned.

A number of new companies have recently been established in Panama, and others to manufacture paints and varnishes, polyethylene bagging, edible oils, batteries for automobiles and heavy equipment, and fruit juices have either begun or will shortly begin production.

Construction Booms

Construction continues at a rapid pace. Construction permits issued in Panama City during the first quarter of this year totalled approximately US$4 million in value. The new steel mill which we reported in last year's article (*Foreign Trade*, November 8, 1958) is now in operation and will supply 400 tons of steel reinforcing rods to the new $1.5 million Social Security Hospital now under construction.

Receptive Market

Canadian sales to Panama slackened off during 1958 compared with the previous year, but have made a marked recovery during the first six months of 1959. Excluding used ships transferred to Panamanian registry, these sales for the first half of 1959 totalled Can.$1.8 million compared with Can.$1.4 million for the first six months of 1958. Wheat flour and whisky shipments have risen most noticeably but shipments of cellulose and drugs to the Colon Free Zone for onward transmission have also increased substantially.

Despite the stiff competition, Panama remains a market receptive to a wide variety of consumer good[s]. The strong American influenc[e] emanating from the Panama Can[al] Zone, has helped direct the publ[ic] taste to North American-typ[e] merchandise and packaging. Englis[h] can be used for correspondence an[d] labelling products, further simpl[i]fying entry into the market. F[or] Canadian firms who are just startin[g] to export to the Central America[n] area, Panama represents the mo[st] readily accessible market.

Colombia-Ecuador Agreements

THREE agreements recently signed [by] the Colombian and Ecuadorean Gover[n]ments (still to be ratified by both Co[n]gresses) supersede the trade agreemen[ts] of 1942 and 1949. They enlarge upon t[he] 1942 agreement and could be considere[d] first steps towards a regional comm[on] market of the "Gran Colombiana" cou[n]tries. The three, drafted specifically [to] facilitate increased trade, are: first, [a] trade treaty, replacing that of 194[2]; second, a general treaty of economic c[o]operation, which is new; third, a pa[y]ments agreement, superseding that [of] 1949.

The purpose of the trade agreement [is] to expand reciprocal trade through mut[u]ally advantageous customs treatment. [It] extends most-favoured-nation treatme[nt] to both countries. The general agreeme[nt] for economic co-operation provides f[or] consultation on domestic monetary a[nd] economic policies in order to harmoni[ze] the two economies, so that they m[ay] supplement each other. It pledges tec[h]nical assistance as well as official a[nd] private capital to stimulate the formati[on] of companies. The intention is to wo[rk] towards a customs union between Colo[m]bia and Ecuador.

The payments agreement is drawn [up] in accord with the standard form reco[m]mended by the Economic Commissi[on] for Latin America and uses the U[.S.] dollar as the accounting unit in balanci[ng] payments between Latin American cou[n]tries. Payments resulting from trade ta[k]ing place under this Ecuadorean-Colo[m]bian agreement will be made by t[he] central banks of the two countries [in] U.S. dollars, or by commercial ban[ks] authorized to undertake internation[al] operations.

—NEIL CURRIE,
Asst. Commercial Secretary, Bogo[tá]

Central America Introduces a Free-Trade Treaty

A. M. BALDWIN,
International Trade Relations Branch.

ON June 2, 1959, the Central American Free-Trade Treaty was brought into force for an initial period of ten years when Guatemala deposited the instrument of ratification with the Organization of Central American States (ODECA). El Salvador and Nicaragua had previously ratified the treaty, but it was Guatemala's action that fulfilled the basic requirement that at least three signatory countries ratify it before it could become effective. The provisions of the treaty apply only to Guatemala, El Salvador and Nicaragua, pending ratification by Costa Rica and Honduras, the other two members of ODECA.

What Goods Are Freed?

A major result of this multilateral treaty is the establishment of a list of about 200 articles that enjoy free-trade status among the three countries—subject to reservation by the individual nations for certain products. Although the free list includes a large number of commodities that enter into intra-Central American trade, there are also articles, such as plywood, lead alloy products and electric stoves, many of which are made in only one Central American country or not yet made in any of the five.

Manufactured products in the current free list include the following:

Chemical Products—Bacteriological products; sera and vaccines for veterinary use; medicines for parenteral or oral administration, i.e. prepared medicines; phosphatic, potassic and mixed fertilizers; insecticides; fungicides and disinfectants; industrial gelatin; glues and adhesives other than rubber-based; wood tar, and rosin.

Machinery, Apparatus and Transport Equipment—Electric stoves; electric meters; storage batteries; fishing boats, with or without engines; gas, liquid and similar meters.

Other Manufactured Articles—Machine leather belting; rubber thread; rubber-based glues and adhesives; camel back; rubber knee-boots; plywood; wood flooring; wooden tool handles and shoe trees; building materials n.o.p. of asbestos, cement, plaster, vegetable fibre agglomerated with cement, plaster, etc., such as fibro-cement, in the form of bricks, tiles, pipes, etc.; table and domestic articles of ordinary earthenware; unwrought lead and lead alloys; handtools used in agriculture; metal barrels; drums and tanks of not over 500-litre capacity; collapsible metal tubes for ointments; metal boxes, cans and containers; iron stoves (non-electric); sanitary fixtures of earthenware or porcelain.

How the Treaty Operates

Under the treaty all products on the free list are exempt from existing import or export duties as well as taxes, and from charges levied on such imports and exports by whatever taxing authority within the Free-Trade Area. Charges for port, warehouse and transport services are not covered by the provision for tax exemption. Under Article II, all goods eligible for free-trade-area status are granted national treatment and are accordingly exempt from import quotas and quantitative restrictions of any kind except for health or security reasons.

The member countries have also undertaken in Article IV to equalize the external duties on the free-list articles as a first step towards the ultimate goal of a customs union. To this end the Central American Trade Commission established under the treaty has been authorized to prepare draft agreements for equalizing import duties on free-list products. The agreements must be submitted to member countries not later than one year after the treaty becomes effective.

To ensure that free-list products of Central American origin qualify for free-trade-area treatment, all products exported from one Central American country to another must be accompanied by a special declaration of origin provided by the exporter and certified by the Customs Officer of the country concerned. There is a further undertaking by member countries, moreover, to refrain from granting duty-free treatment to imports of similar products from outside Central America.

What of the Future?

Because the operation of the Free-Trade Treaty began only in June, with Guatemala's ratification, substantial changes in the over-all pattern of Central America's trade cannot be expected immediately. The freeing of a relatively small number of commodities in intra-Central American trade appears to have little or no adverse effect on Canadian exports at present. But the gradual broadening of this market to five countries, with a population of ten million, could provide increased sales opportunities for Canada. ●

See also the article in "Foreign Trade," November 8, 1958, "Central America Creates a Common Market."

Sugar from cane fields dominates trade in this are

Other Caribbean

Cuba

Dominican Republic Haiti

Puerto Rico

Cuba

Foreign exchange reserves decline as sugar exports lag; import and exchange controls introduced. Brighter spots are rising government revenues and brisk sales of essential consumer goods.

R. R. PARLOUR, *Commercial Secretary, Havana.*

BUSINESS in Cuba since the turn of the year has remained generally slow, though it is beginning to pick up in some sectors. The building industry has been particularly hard hit because many construction companies have been intervened by the Government. In addition, the new Rent Law, which provides for a 30 to 50 per cent drop in many residential rentals, has frightened capital away from the formerly booming field of residential and apartment-house construction. Building permits in Havana Province are down more than 60 per cent from last year. Similarly, business investment has slowed up except for a few projects already under way in 1958. Collections generally are fairly good. Labour unrest has been prevalent in recent months and wage increases of about 20 per cent have been general.

Some Improvements Noted

Among the brighter spots in the economy are department-store sales, which are higher than a year ago. Essential consumer goods are moving briskly, as wage increases and rent reductions put more money into the worker's pocket. However, sales of luxury goods are slow, and recently shipments of luxury cars were returned to the United States because buyers could not pay the new $5,000 luxury tax on expensive automobiles. On the other hand, sales of beer and ice cream have reached a record.

Government revenues for the first six months of the year were the highest in Cuba's history as new tax laws were scrupulously administered. Customs collections for the Port of Havana are about the same as in 1958, and bank clearings and total wages and salaries are well above those of a year ago.

To counter unemployment, which stands at about 700 thousand out of a total population of 6.2 million, the Government has announced a 134-million-peso, six-month program of public works. Projects include construction of houses, schools, roads and bridges, the draining of swamps, irrigation, surveying and mapping.

Import Controls Introduced

Cuba is short of foreign exchange. The new Government began the year with reserves of only $110 million, $60 million below the statutory minimum. During the first half of the year (the sugar-marketing season), reserves improved somewhat, to an estimated $140 million. However, by the end of August this figure had dropped to $106 million. Factors hindering improvement are the decline in the tourist trade and in foreign investment, and the difficulty in selling sugar in world markets.

To meet the situation, the Government in February imposed import controls on some 200 non-essential consumer products. These are still being allowed into the country, subject to prior approval of each import. At the same time, foreign exchange control was imposed on many types of transactions. In August the Government announced that import controls would be extended to all commodities. This means that exchange to pay for imports will be released only with prior approval of the authorities. In recent weeks this approval has been granted to all bona fide applicants, though with delays of two to three weeks from the date of application. Another recent measure to conserve foreign exchange has been the strict control placed on the import of gold.

Effective September 28, temporary surcharges on imports from all countries have been levied at the following percentages of their f.o.b. value according to their category: first category, 30 per cent; second, 40 per cent; third, 60 per cent; fourth, 80 per cent; and fifth, 100 per cent. These surcharges are collected from the Cuban importer when the letter of credit is opened for such goods.*

Cuban leaders hope to cut imports this year to $625 million, $90 million less than in 1958. According to Canadian statistics, our exports to Cuba for the first half of 1959 held up fairly well at $7.4 million, compared with $7.8 million for the same period last year. The principal products were newsprint, salt cod, malt, flour and copper tubing. Of these, newsprint enjoyed the biggest gain. Canadian flour sales declined as Cuba's two flour mills increased production. Cuba's principal export is raw sugar, and up to August 31 this year, sales to Canada totalled 58,000 Spanish long tons (2,272 pounds), compared with 96,000 in the same period a year ago. Canada thus ranks seventh among Cuba's sugar markets so far in 1959.

New Government Measures

The new regime in Cuba, which assumed power on January 1, has passed a large number of far-reaching measures. Those that have had an unsettling effect on business and investment include the law for the lowering of rents; the law confiscating assets and property of sup-

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*For information on specific products covered by this measure, write to the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

porters of the previous regime; the law on instalment purchases, which provides for easier terms on many goods; the law reducing retail prices of imported and domestically produced pharmaceuticals; the law restricting wholesale and retail mark-ups on foodstuffs; foreign exchange controls; import controls; the new tax law; new excise taxes on automobiles, luxury goods, beer and alcoholic beverages; the law for confiscation of unused urban lots; the Agrarian Reform Law; the proposed new customs tariff; the intervention of the telephone and electricity companies; and the lowering of telephone rates, electricity rates and prices of bottled gas. Needless to say, in this rapidly changing business climate it is difficult to forecast business trends with any certainty.

How's Sugar Doing?

The 1959 sugar crop got off to a shaky start last January as revolution swept across the country, but production has since steadily gathered momentum. By the end of June, 156 out of Cuba's 161 sugar mills had successfully completed the season's grinding and at the final count, the crop had practically reached the production quota of 5.8 million Spanish long tons. In spite of this, however, the Cuban sugar industry faces problems in marketing its output.

Cuba's exports of sugar up to August 31 this year totalled just over 3.3 million tons, down 20 per cent from last year. As a result, 2.8 million tons remained unsold, compared with 1.9 million tons a year ago. In addition, the average selling price for Cuban sugar has dipped this year in spite of a recent improvement, and foreign-exchange earnings from the export of sugar have declined.

Tobacco is Cuba's second most important crop. Exports of tobacco products in the first eight months of this year totalled $33.5 million, up from $28.7 million in the same period of 1958. This year's coffee crop is about a third smaller than last year's. Rice production is good.

Activity in mining at present is very quiet. However, Cuba's exports of nickel and cobalt should expand rapidly towards the end of this ye[ar] when the big Moa Bay Mining Co[m]pany begins operating. This $17[…] million project is expected event[u]ally to turn out 50 million poun[ds] of nickel and 4.4 million pounds [of] cobalt a year. A second large nick[el] project, the Nicaro Nickel Co[m]pany, which is owned by the Unit[ed] States, is soon to be sold. Biddi[ng] is open until the first of Decemb[er].

Moa Bay Mining Company will start taking ore from its 40-million ton nickel-cobalt deposit by the end of this year. The mine is in Cuba's Oriente Province.

Land Reforms

Cuba's new and controvers[ial] Agrarian Reform Law, which ca[me] into effect at the beginning of Ju[ne] is bringing widespread changes [in] agriculture. The basic provision [of] the law is that large rural landhol[d]ings are to be split up among t[he] small farmers. No person or co[m]pany will be allowed to hold mo[re] than 100 caballerías of land f[or] growing rice, sugar cane or cat[tle] (1 cab.=33.16 acres), or 30 caba[l]lerías of any other rural land. T[he] law also provides that sugar-ca[ne] plantations may not be owned [by] sugar-mill owners or by foreig[n] owned corporations. There are so[me] 25 foreign-owned sugar compani[es] operating sugar mills and large pla[n]tations in Cuba and the new la[w] will affect all of them.

Expropriated private lands a[nd] state-owned lands will be organiz[ed] into large co-operatives or will [be] distributed among tenant farme[rs,] squatters, sharecroppers and lan[d]less persons, using two caballerí[as] of fertile land as a "vital minimum" for a family of five. Compensati[on] for expropriated land will take t[he] form of 20-year 4½ per cent gover[n]ment bonds, or other securities [as] available.

Directing land reforms is a ne[w] government agency called T[he] Agrarian Reform Institute (INRA). Under INRA, more than [...] farmers' and fishermen's co-oper[a]tives have been formed, and centr[es] have been set up for lending m[a]chinery and equipment to the ne[w] landholders. Other projects inclu[de] draining swamps, developing river[s,] building schools and hospitals, a[nd]

establishing low-cost rural co-operative stores. New industries will be created to process agricultural products and provide employment.

Wooing the Tourist

Cuba is taking steps to rebuild its tourist trade which in the past year has suffered severely from the effects of political disturbances and unfavourable publicity. Havana's luxury hotels report that many of their rooms remain empty even though the casinos have been reopened. Restaurants and nightclubs have also been affected, as have many Cubans who earn their living in these establishments. Some of the biggest hotels have had to obtain financial assistance from the Government to remain in business.

Hopes for revival of the tourist trade, a big dollar-earner, are being pinned on the annual convention of the American Society of Travel Agents, scheduled to be held in Havana this month. Several thousand travel agents are expected to attend. In preparation, the Department of Public Works is spending $300 thousand on improvements to the landing strips and buildings at Havana's Rancho Boyeros airport. In addition, the Cuban Tourist Commission has been granted authority to borrow $1 million for tourist promotion and the Government has announced a long-range plan to invest a further $200 million. •

Dominican Republic

Fall in sugar prices cut 1958 earnings but imports reached record high. Demand for fisheries and agricultural products remains good; some market for raw and semi-processed materials as industry expands.

J. M. KNOWLES, *Acting Commercial Secretary, Ciudad Trujillo.*

THE Dominican Republic continues to enjoy internal stability and economic prosperity. The present government is pursuing its long-term policy of diversification, with the emphasis on industrial growth and public works.

One of the more ambitious projects now under way is a $2 million flour mill, currently scheduled for completion next January. New major investments by both public and private interests have recently been announced in a broad range of industries, such as ready-mix concrete, cotton textiles and paints. Already produced in quantity are shoes, textiles, sisal bags and rope, soap, asbestos cement, car batteries, glass bottles, and matches. An investment of over $10 million is to be made this year and in 1960 by a subsidiary of a major U.S. firm in facilities for the production and canning of tomato and other products. The local plastics industry is expanding to produce a wide range of household and industrial goods. Another million has been invested in a new mill to produce, starting next February, toilet paper and later kraft and wrapping papers, paper bags for industrial use, and other paper containers of various kinds. This operation will be based initially on imported pulp, but it is expected that ultimately the raw material will be the native eucalyptus tree. According to official estimates based upon a recent survey of investment intentions, new direct investment in Dominican industry will amount to $48 million this year.

Agriculture Still Leads

These impressive figures notwithstanding, the Dominican Republic remains to a large degree dependent upon its traditional agriculture. Coffee, cocoa, tobacco, rice, peanuts, bananas, sisal, potatoes and vegetables are all produced in quantity but the price received for Dominican sugar in the world market still mainly determines prosperity.

Sugar production for 1959 will reach an estimated 987 thousand metric tons and the volume of coffee for export for 1959-60 is forecast at a record 500 thousand bags of 132 pounds. The cocoa crop is forecast at 32,500 short tons.

There is a thriving cattle industry, both dairy and beef, and beef cattle are exported regularly to other islands in the Caribbean. New crops such as cotton and rubber are being grown and the production of bananas is expanding rapidly. Cotton is expected to become a major crop, with substantial quantities for export.

Mineral Developments

In recent years the mining of iron ore and bauxite has gone ahead. The first exports of bauxite were made in January 1959. Substantial deposits of nickel have been discovered and are currently being investigated by a major Canadian mining company. Prospecting for oil is proceeding but the deposits found are not yet considered feasible for commercial exploitation. The largest rock salt and gypsum deposits in the world are now being developed by a Dominican firm in the extreme southwest, and substantial quantities are being exported. Locally quarried marble of superior

quality and appearance will also soon appear in overseas markets.

Foreign Trade

The foreign trade of the Dominican Republic in 1958 decreased from the previous year for the first time since 1953, reaching $266,133,744, down 4 per cent from 1957. Exports totalled $136,614,711 in value and imports a record $129,519,033. The favourable balance of $7,095,678 was the smallest since 1941 and relatively small too compared with the $44.5 million export surplus in 1957. The following table gives the trade statistics for recent years, as announced by official Dominican sources:

FOREIGN TRADE OF THE DOMINICAN REPUBLIC

(in Dominican pesos—one peso=US$1.00)

	Total	Exports	Imports	Balance
1954	202,553,933	119,726,923	82,827,010	36,899,913
1955	212,905,928	114,849,773	98,056,155	16,793,618
1956	232,837,038	124,599,106	108,277,932	16,281,174
1957	277,496,341	161,018,032	116,478,309	44,539,723
1958	266,133,744	136,614,711	129,519,033	7,095,678

Income from sales of cocoa at $20.5 million and bananas at $4.7 million was up sharply over the previous year. Coffee income fell slightly to $23.8 million from $25 million in 1957, but the drop in sugar sales from $88.5 million to only $56.5 million, over 36 per cent in value though only 12.8 per cent in volume, is the principal reason for the much smaller favourable trade balance. World sugar prices in July 1959 reached their lowest since prewar days but have since tended to rise. A surplus of foreign exchange of slightly more than last year is currently being forecast for 1959.

Leading Imports

The principal imports, in order of value, are machinery and parts, motor vehicles, food products, mineral oils including gasoline, cotton and cotton goods, iron and steel and their products, and electrical equipment and accessories. The leading source of supply in 1958 was the United States with 59.8 per cent, followed by Germany with 6.1 per cent and the United Kingdom with 4.3 per cent. Canada was in fourth place with 4 per cent, taking over this position from the Netherlands Antilles, which dropped to fifth place with 3.6 per cent.

The United States was the Republic's leading customer, taking 50.3 per cent of her exports (up from 38.5 per cent the previous year). The United Kingdom was second with 24.4 per cent, the Netherlands third with 4.7 per cent. Canada was in eleventh place with 0.9 per cent compared with 0.4 per cent in 1957, according to Dominican statistics. Britain retained her position as the leading customer for raw sugar, taking more than 68 per cent of sugar exports.

Canadian-Dominican Trade

Canadian exporters will find in the Dominican Republic an open dollar market. Since the signing of a trade agreement in 1940, Canada and the Republic have exchanged most-favoured-nation tariff treatment. This agreement has been supplemented by the GATT, under which both countries have negotiated tariff concessions on a wide variety of products. The following DBS statistics indicate the development of our trade since 1953:

CANADA'S TRADE WITH DOMINICAN REPUBLIC

	Exports to	Imports from
1953	3,992,537	5,853,523
1954	4,268,597	1,662,515
1955	4,167,723	1,529,329
1956	4,984,835	1,345,983
1957	5,023,833	1,273,756
1958	5,367,623	2,659,936
1959 (5 months)	2,600,915	720,035

Fisheries products continue to the leading Canadian export to t Republic, accounting for $1.6 m lion of the $5.35 million total f 1958. This is our best market f salted pollock and hake—$8 thousand and $180 thousand r spectively last year. In fact, recorded Dominican imports these fish in 1958 came from Ca ada. During the first six months the current year, quantities French pollock have begun to r appear in the market.

Canadian herring bloaters valu at $357 thousand were exported the Dominican Republic in 195 a drop of $46,000 from the previo year although the volume was pra tically unchanged. Our bloater e ports are down so far in 19 because an increasing share of t market is going to Norway, althou Canadian exporters still hold t major part of the trade.

Dominican imports of wheat flo during 1958 were worth nearly $1 million, up sharply over the $8 thousand of the previous year. Ti for trucks, buses and passeng automobiles were valued at $3 thousand; newsprint at $298,65 asbestos milled fibres at $177,58 spaghetti at $165,464, and copp wire at $137,066. A wide vari of other Canadian products smaller quantities were also s here.

Canadian purchases were co centrated on coffee ($1,662,829 cocoa ($388,004), banan ($308,973), and raw sug ($267,439). Together these fo commodities accounted for over per cent of our imports from t Republic.

Import Restrictions

The Dominican Republic is s one of the relatively few countr without a mass of import restr tions and foreign exchange regu tions, and it enjoys an excelle reputation for external collectio The Dominican peso is at par w the U.S. dollar. Foreign exchan can be obtained freely from co mercial banks for business transa

tions, and import permits are required for only a very limited list of products. This list includes wheat and wheat flour, rice, fertilizer, fruits and vegetables, seeds and tubers, lard and rendered pork fat, confectionery and other edible products of which sugar or chocolate is the main ingredient, and radio transmission apparatus.

New Duties Imposed

Import charges, already high, were increased by internal taxes on a broad range of imported goods last June. Some of the items of particular Canadian interest are: electric wire, electrical apparatus, business machinery, textiles, pneumatic tires other than truck tires, motor vehicles and parts, various kinds of motors, macaroni and spaghetti products, milk products other than milk powder for domestic consumption, and a broad range of preserved fruits and vegetables. On September 8, new customs duties were announced on certain paper products, such as writing-paper, notebooks, notepaper, envelopes and cards, and on toilet paper in rolls of up to 50 centimetres in diameter or in sheets of up to 700 square centimetres in area.

Doing Business

The country has a modern, well-developed banking and credit system. The Royal Bank of Canada and the Bank of Nova Scotia both maintain branches in Ciudad Trujillo and in the second most important trading centre, Santiago de los Caballeros.

Business is usually done through a resident commission agent or through an agent who buys for his own account. Great care should be exercised in choosing an agent because Dominican law makes it difficult to switch representation from one agent to another.

Banking institutions do not, as a rule, undertake to handle consignments. Importers can obtain merchandise only by presenting the original documents or a duplicate consular invoice obtainable from the customs authorities if the original shipping documents are not received in time. In the latter case, the authorities require the posting of a bond for an amount usually in excess of the value of the merchandise. Exporters might consider it expedient to forward all documents to a bank in the Republic with full instructions as to their disposal.

Much business in the Dominican Republic is done on credit, 30-, 60-, or 90-day sight drafts being the usual method of payment for established customers. Irrevocable letters of credit are rare.

The monetary unit is the peso, at par with the United States dollar, and payment for goods is made in that currency. Quotations should, if possible, be c.i.f. Ciudad Trujillo, the capital and principal port.

Although the Dominican market remains attractive for exporters it is competitive and price-conscious, and also rather restricted in view of the relatively small demand for consumer goods in a still largely agricultural economy. Duties and internal taxes so increase the landed cost of imports that, to suit the purchasing power of low-income buyers, goods usually must be inexpensive. New light industries have been set up in recent years, with the benefit of duty-free entry of plant and sometimes also of raw materials. Canadian manufacturers should give thought to supplying not only consumer goods but also machinery and primary materials for both these and other industries yet to be established. In general, indications are that Canadian exporters must expect stiffer competition not only from other foreign countries but also from growing local industry. •

Haiti

Good coffee crop expected; irrigation and power projects are progressing, with foreign aid; search for oil continues. Canadian sales to Haiti down slightly last year.

FULGENCE CHARPENTIER, *Chargé d'Affaires, a.i., Port-au-Prince.*

HAITI, in the middle of the Caribbean, occupies half of an important island discovered by Columbus during his first voyage to America. Under French rule until 1804 and later destined to become the first Negro republic in the New World, it soon acquired a deserved reputation in Europe as a producer of sugar and coffee. Its economy still depends greatly on these two products, and agriculture, contributing 97 per cent of the total exports, plays a preponderant part in the daily life of Haiti's four million inhabitants. Industrialization is still barely ten years old but in certain spheres it shows healthy signs of maturity.

Haiti's industry can be divided roughly into two categories: one, goods used in production (for example, Ciment d'Haiti producing cement, plaster, etc.) and two, commodities (for example, Madsen Textiles that turns out cotton goods, edible oils, lard, soap; Caribbean Mills: flour (from imported wheat); Haiti Metals: kitchenware, tools; Canadian Caribbean Chemicals Company: pharmaceutical products; Industries Nationales: plastic goods). Handicraft, mainly mahogany wood-carvings, bowls and ironwork, is exported extensively by 710 handicraft workshops in Port-au-Prince and 507 in the provinces.

One of the big developments in progress in Haiti is the Artibonite Valley project. Through the Development Loan Fund the U.S. Government recently granted a loan of $4.3 million for the irrigation of some 83,000 acres of land in the Artibonite Valley. To date, $31 million has been spent on this undertaking, initiated in 1953. It is a project of multiple aspects—irrigation, drainage, flood control and power development. Among the works already completed is Péligre Dam, 63 metres high and 322 metres long, built to accommodate three generators of 40,000 kw. capacity, 12 irrigation outlets, and irrigation ducts.

With the $4.3 million loan, the agricultural aspect of the Artibonite Valley project enters its final phase. Some 30,000 additional acres of arable land will be opened for the planting of rice, bananas, sugar cane, cotton, corn, millet, etc. The rice harvest, which now totals 150 million pounds a year, will be doubled, as will output of other food crops.

The project includes the harnessing of the Péligre Dam, including transmission lines and distribution centres, but this part of the project (to cost about $20 million) is still awaiting financing.

Foreign Trade

Haiti's foreign trade depends very largely on coffee, which provides usually 70 per cent of her exports and brings in 14 per cent of the national income. Coffee plantations cover more than 120 thousand hectares (300 thousand acres) and production averages 600 pounds per hectare. The annual crop thus totals about 72 million pounds, of which Haitians themselves consume about 18 million. Last year 547,059 bags (120 pounds each) were exported, partly from the previous crop, and earned $29.1 million. The coming coffee crop is estimated at 650 thousand bags.

Haiti has ratified the Latin American Coffee Agreement already approved by 15 Latin American coffee-producing countries. Under this, each member country must reduce its export quota by 10 per cent, taking as the basis the best year of the last ten. It is expected that this agreement will even up offer and demand at about 40 million bags for the crop season starting October 1. Coffee is piling up in the coffee-producing countries and world prices have sagged. The variety produced in Haiti—a non-bitter type—has commanded rather stable prices.

Sisal ranks second in Haiti's export trade, and production reaches 72 million pounds a year. The Phaeton and Derac organization annually produces 800 thousand tons of machine-worked sisal taken from the 7,500 hectares of Plantation Dauphin, and supplies more than 80 per cent of Haitian sisal exports. Other plantations of lesser importance are managed by the Farm and Industrial Loan Institute. The increase in the number of tourists who want things to buy has popularized the matting and weaving of fibres into hats, baskets, purses, shoes and carpets.

Total production of sugar ranges between 60 and 65,000 tons, 50 per cent of which is consumed locally. Plantations cover 25 per cent of the land area and more than one-third of the population gets its living from the cane. Hasco, a U.S.-Haitian company, processes from 500 to 600 thousand tons of cane every year, producing from 50 to 60,000 tons of sugar. There are two other sugar mills—one in the north producing 1,600 tons per year and the other in Les Cayes, with a capacity of 10,000 tons but an average output of 3,200 tons or under. Another sugar mill was under construction at Welch near Cape Haitien but money ran out before it was completed. The Development Loan Fund announced in Washington on September 23 that it was willing to supply $3 million for this undertaking. There is certainly room for expansion in this field, as Haiti has never supplied its qu
under the Sugar Agreement a
internal consumption has risen m
terially with increasing populati

Cocoa, cotton and bananas
gether constitute only 3 per cent
export trade. Cocoa plantatic
cover only 4,700 hectares but co
siderably more acreage could
used, especially if chocolate-maki
plants were set up. The average cr
value is about $1.3 million a ye

Mining Progresses

A U.S. company is reported
have found oil in the farming d
tricts of Ganthier, Plaine du Cul-
sac, and Marfranc in the Gran
Anse. El National of Caracas
cently stated that there was m
oil in St-Marc Canal than there
at Maracaibo. Two foreign co
panies, Reynolds (U.S.) and SE
REN (Halliwell of Toronto)
extracting bauxite and copper.

Trade with Canada

Haiti buys about 62.2 per c
of her imports from the Unit
States; Canada comes second as
source, but furnishes only 5.53
cent. Last year, Canadian exports
Haiti totalled $2,197,000 co
pared with $2,241,000 in 19
Figuring largely in these expo
were wheat flour ($653,00
salt cod, ($252,000), herri
bloaters ($300,000) pickled a
wives ($210,000) and tir
($110,000). A fairly wide vari
of other products is sold, some
small amounts. These include p
wood and plastic raw materials.

Canada's purchases from Ha
fell to $1,080,000 in 1958 fr
the $1,494,000 of 1957. Coffee a
sisal fibre continue to be our m
imports, though we also buy esse
tial oils and handicrafts.

There is no doubt that with t
good coffee crop expected this ye
and given political stability and o
side financial help, Haiti constitu
a promising market for compe
tively-priced manufactured goods.

Puerto Rico

ndustrial progress continues, exports have reached new high, nd U.S. share of island's import trade has decreased. Canadian ales down slightly last year, but market remains good one, specially for raw and semi-processed materials.

. M. KNOWLES, *Acting Commercial Secretary, Ciudad Trujillo.*

MANY Canadians do not realize ow much business their country is loing in Puerto Rico. This open lollar market, now undergoing a emarkable industrial expansion, onsumes large quantities and a vide range of our products, although total sales have fallen off luring the early part of this year. A table political climate and generous tax concessions make this a avoured area for investment, paricularly in branch plants. These njoy a steady supply of low-cost abour and duty-free entry of their roducts into the continental United states.

Geographically, Puerto Rico is n island 100 miles long and 35 niles wide, with a mountainous nterior with fertile valleys, surounded by a coastal plain of varyng width. The climate is comfortable, with a mean winter temperaure of 73.4 degrees and a mean ummer one of 78.9 degrees. The opulation totals 2.4 million and bout 250 thousand live in San uan, the capital and chief port, on he northeast coast.

'Operation Bootstrap"

Puerto Rico's economic growth s a story of the long-range program of the Government's Economic Development Administration, informlly named "Operation Bootstrap". n the past decade the island, chiefly because of investment by United states private industry, has made outstanding gains in all economic ields. Hundreds of manufacturing lants have been built, the majority n the San Juan metropolitan area.

On July 1, 1958, there were 521 ndustrial establishments in San Juan alone as against only 21 in the entire island in 1947 when the whole economy depended on sugar. In 1958, per capita income reached $469, as against only $272 in 1949 and $121 in 1940. (This income level is exceeded in Latin America only by Venezuela.) Manufacturing now accounts for more than 50 per cent of the island's total income, even though its agricultural base has been broadened to include thriving poultry and dairy industries, and production of some of the traditional crops (such as tobacco, coffee, pineapples and citrus fruits) is being revived and extended. Generous incentives are offered to investors to establish plants on the island. These include tax exemptions, economic studies on production costs, plant locations, and financing.

Economic Outlook

On balance, it appears that Puerto Rican prosperity was relatively little affected by the business recession in the United States. National income rose 6 per cent in 1958. The forecast for the remainder of 1959 is one of continued but slower expansion and it is believed that 1960 will see a resumption of the rapid progress of recent years. The rise in housing construction, up 28 per cent over 1957, is expected to continue, stimulated by recent U.S. federal legislation, although this may be largely offset by a decrease in the number of new industrial projects. Production of coffee is expected to be smaller this year; that of sugar higher. Milk, eggs, and meat products are also expected to increase over 1958. Fixed capital investment, at over 20 per cent of the gross national product, continues to sustain economic growth.

External Trade

Total Puerto Rican imports from all sources for the fiscal year ended June 30, 1958, increased to a new

Shoppers in San Juan, Puerto Rico, crowd the aisles of a modern supermarket. Wide range of goods on display reflects rising per capita income.

high of $745 million and total exports climbed to a record $490 million. The following table shows import and export values for the past four years. Statistics for the fiscal year ended June 30, 1959, are not yet available.

PUERTO RICAN FOREIGN TRADE

	Imports	Exports
	(US$ million)	
1955	574.5	352.9
1956	632.6	406.2
1957	720.2	446.0
1958	745.0	490.0

The trade deficit in 1958, as in previous years, was financed by imports of capital and by earnings from the tourist trade. The most significant change in the pattern of trade has been the marked increase in imports from countries other than the United States. In the fiscal year 1958 imports from foreign countries jumped almost 50 per cent and represented nearly 15 per cent of all imports, in contrast to just over 10 per cent the previous year. The greater part of this gain is attributed to the rise in purchases of foreign cars, mostly small ones.

Trade with Canada

Despite this switch in favour of foreign suppliers and record high imports, our share of this market has tended to decline. Canadian exports to Puerto Rico in the calendar year 1958 were valued at $12.56 million, down slightly from the previous year's $12.6 million. In the first six months of 1959, sales were almost one-fifth lower than in the corresponding period in 1958.

Puerto Rico is our most important market for salted codfish. Basic to the Puerto Rican diet, this is one of the few food staples the price of which is controlled by the Government. About three-quarters of the area's codfish needs come from Newfoundland. Substantial imports of haddock, pollock, hake, and cusk are almost entirely supplied by the Canadian Maritime Provinces. Imports from Canada of salted boneless cod fillets in 1958 fell to one-third of the nearly one million pounds sold the previous year, although sales recovered somewhat during the first six months of 1959.

Demand for construction lumber —such as Douglas fir and hemlock in planks—continued to grow last year, sparked by the boom in home, office and plant construction. Newsprint sales recovered in 1958 following a drop in 1957. Although salted fish, lumber and newsprint are still the Big Three, Puerto Rican imports of other Canadian products last year displayed a striking growth. Aluminum in primary and semi-fabricated forms shot up to $394 thousand from $83 thousand in 1957 and only $2,000 the year before, though no aluminum has been sold in the first six months of the current year. Sales of drugs and chemicals n.o.p. have trebled in the two-year period, and those of manufactures of non-ferrous met n.o.p. have grown from $2,000 $146 thousand since 1956. Impo of Canadian certified seed potat also rose significantly last year, f lowed by a decline in early 1959.

There is a continuing trade construction materials, such as c per and brass tubing and se fabricated forms of those meta particularly copper. Exports machinery and parts have dropp but continue to be important in trade with the area. Automobile ports continued to decrease in 19 as competition from Europe models became more severe, have held their own so far in 19

Current Sales Down

During the first six months 1958, our sales decreased $5,273,528 from the $6,429,0 of the same period last ye The major losses were in sal fish, down to $1,285,474 fr $2,123,048 the previous year, a table potatoes, down to $140,3 from last year's $734,686. Th two products together account a drop of $1.43 million in sal Certified seed potatoes accoun for a further $102,157 fall in exp values and primary and semi-fab cated aluminum for $192,150.

In the same period, sales of de tal, surgical and hospital equipm have gone up significantly, as ha sales of malt, brass and cop rods, strips, sheets and tubes. El trical apparatus n.o.p. climbed $181,074 from only $2,052 in period January-June 1958.

Sales of lumber have risen $1,904,138 in the six-month per from $1,594,085 last year, a newsprint shipments are holding well.

What We Bought

Canadian imports from Pue Rico in 1958 were wo $1,442,644, up 48.4 per cent fr the $972,224 bought in 19 Major purchases, in order of val were rum ($503,934); cane r

PRINCIPAL CANADIAN EXPORTS TO PUERTO RICO

	1956	1957	1958
	(in Canadian dollars)		
Salted fish	$3,102,083	$3,832,333	$3,946,535
Lumber	2,527,101	3,347,378	3,136,374
Newsprint	1,649,004	1,492,350	1,630,272
Barley malt	319,430	393,197	445,582
Potatoes	774,353	743,258	843,027
Whisky	111,636	66,394	83,632
Copper tubing	177,317	87,512	154,173
Automobiles	455,374	1,152,316	343,415
Machinery and parts	441,835	443,001	213,476
Seed potatoes, certified	2,850	3,950	113,109
Aluminum in primary forms and semi-fabricated	2,351	83,293	394,336
Manufactures of non-ferrous metals, n.o.p.	1,851		146,524
Drugs and chemicals	32,809	82,592	98,124

asses ($223,267); all machinery .o.p. and parts ($169,181); elec-ric irons and parts ($82,701); elec-ric shavers ($75,370); and a road range of other goods—the nost important were citrus fruit inds, coconuts, electrical apparatus, reen coffee.

Canadians who wish to do busi-ess here should note that there are o import restrictions or exchange controls and that Puerto Rico is part of the U.S. domestic customs and trade area. There are no tariffs or other trade barriers between the island and the United States and the U.S. tariff applies to all foreign goods imported from abroad. The unit of currency is the U.S. dollar.

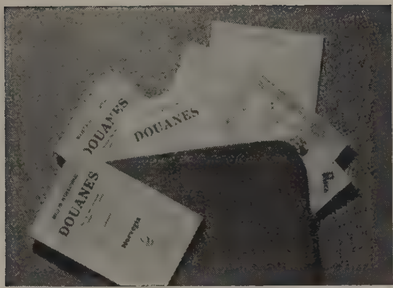
Like other countries in the Carib-bean area, Puerto Rico is a price-conscious market. Competition from other countries is keen, and particu-larly from duty-free imports from the mainland United States. Puerto Rico is an excellent outlet for Cana-dian raw and semi-processed mate-rials for consumption by her expanding industries. Canadian businessmen should thus keep Puerto Rico in mind as an area well worth investigating, now and in the future. ●

SHIPPING SERVICES FROM CANADA

	FROM		
'O	**Pacific Coast**	**Great Lakes**	**St. Lawrence and Atlantic**
Bahamas	K Line	Saguenay Shipping Ltd.	Saguenay Shipping Ltd.
Barbados		Grace Line	Grace Line Lamport & Holt Royal Netherlands Line Saguenay Shipping Ltd.
British Honduras			Gran Centroamericana
Costa Rica	Chilean North Pacific Line Grace Line Grancolombiana		
Cuba	K Line O.S.K. Line	Grancolombiana French Line Grace Line Michigan Ocean Line Saguenay Shipping Ltd.	Grancolombiana French Line Grace Line Michigan Ocean Line Saguenay Shipping Ltd. Swedish American Line
Dominican Republic	K Line	French Line	French Line Royal Netherlands Line Saguenay Shipping Ltd.
El Salvador	Chilean North Pacific Line Grace Line Grancolombiana		
Guatemala	Chilean North Pacific Line Grace Line Grancolombiana		Gran Centroamericana
Haiti		Michigan Ocean Line	Michigan Ocean Line Royal Netherlands Line
Honduras	Grace Line O.S.K. Line		
Jamaica	K Line	Grace Line	Canada Jamaica Line Grace Line Saguenay Shipping Ltd.

TO	FROM Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Leeward and Windward Islands			Saguenay Shipping Ltd
Mexico	Chilean North Pacific Daido Line Grancolombiana Grace Line Global Transport Lines	Grancolombiana	Grancolombiana Swedish American Lin
Nicaragua	Chilean North Pacific Line Grace Line O.S.K. Line		
Panama	Daido Line Grace Line Grancolombiana K Line O.S.K. Line		Grancolombiana Saguenay Shipping Ltd West Coast Line
Puerto Rico		French Line	French Line Saguenay Shipping Ltd
Trinidad	Moore-McCormack Lines	French Line Grace Line Michigan Ocean Line Transcaribbean Line	French Line Grace Line Lamport & Holt Line Michigan Ocean Line Royal Netherlands Lin Saguenay Shipping Ltd Transcaribbean Line

Shipping Lines	Agents
Canada Jamaica Line	Kerr Steamships Ltd., Montreal
Chilean North Pacific Line	Dodwell & Co., Vancouver
Daido Line	Dingwall Cotts & Co., Vancouver
Flota Mercante Gran Centroamericana	Kerr Steamships Ltd., Montreal
Flota Mercante Grancolombiana	Balfour Guthrie & Co., Vancouver Robert Reford Co., Montreal
French Line	Furness Withy & Co., Montreal
Global Transport Lines	Tidewater Marine Agencies, Vancouver
Grace Line	C. Gardner Johnson Ltd., Vancouver March Shipping Ltd., Montreal
K Line	Johnson Walton Steamships Ltd., Vancouver
Lamport & Holt Line	March Shipping Ltd., Montreal
Michigan Ocean Line	Shipping Limited, Montreal
Moore-McCormack Lines	Moore-McCormack Lines, Vancouver
O.S.K. Line	C. Gardner Johnson Ltd., Vancouver
Royal Netherlands Line	Montreal Shipping Co., Montreal
Saguenay Shipping Ltd.	Saguenay Shipping Ltd., Montreal
Swedish American Line	Swedish American Line, Montreal
Transcaribbean Line	Shipping Limited, Montreal
West Coast Line	Saguenay Shipping Ltd., Montreal



Trade and Tariff Regulations

Dominican Republic

IMPORT DUTIES ON POTATOES AND ONIONS —On September 29, the Dominican Government announced by Decree No. 5223 that the import duties on potatoes and onions have been doubled from \$5.00 and \$7.00 per 100 kilograms to \$10.00 and \$14.00 per 100 kilograms respectively, during periods when locally-grown supplies of these products are available.

The duties will be only 50 per cent of this (identical with the old rates) at such times as announced by the Secretary of State of Agriculture and Commerce when these commodities are in short supply—Ciudad Trujillo.

France

TARIFF REDUCTIONS EXTENDED TO DOLLAR IMPORTS—In an article published in the June 20 issue of *Foreign Trade,* page 14, the Commercial Counsellor in Paris reported that, in line with the provisions of the Rome Treaty, duties in the French customs tariff were reduced by 10 per cent, effective January 1, 1959, on imports from other Common Market countries. Comparable reductions in a number of customs duties were made applicable to imports from non-members of the EEC who are entitled to most-favoured-nation treatment, including Canada.

The original list of products on which reductions were extended involved over one hundred items, including the following products of particular interest to Canadian exporters: wood pulp, flaxseed, a number of papers and paperboards, vegetable seeds, certain types of planks and boards, some leathers, and various chemicals.

In two additional steps, effective September 19 and September 22, the French Government extended these 10 per cent tariff reductions to Canada and other non-members of the EEC on several additional items, including various seeds, heat-insulating and refractory goods, certain glass and glassware, some precious metals, and a wide range of base metals and articles of base metals.

Details on the reduced rates for individual products may be obtained upon request from the International Trade Relations Branch.

Montserrat

IMPORT RESTRICTIONS RELAXED—Montserrat has relaxed import controls on goods from the dollar area. Most commodities may now be imported on Open General Licence, except for a short list of items which remain subject to specific licence.

Netherlands

IMPORT LICENSING RELAXED—Effective July 15, 1959, import licences are no longer required for imports into the Netherlands of liberalized products from many countries including Canada. Formerly, for liberalized imports into the Netherlands import licences, though required, were freely granted and carried the right to foreign exchange necessary for payment. The few remaining commodities subject to restriction, for which import licences are required, include certain agricultural products, coal, coke, petroleum, diamonds, automobiles, nuclear materials, glass and a few other items.

Information on the status of individual products may be obtained upon request from the European Division of the International Trade Relations Branch.

New Zealand

IMPORT RESTRICTIONS RELAXED—The New Zealand Government announced recently further substantial steps towards the elimination of dollar discrimination, and also provided for a higher level of total imports from all sources in 1960.

Under the revised import program, which becomes effective on January 1, 1960, Canadian exporters have been placed on the same footing as other outside suppliers for all goods except motor vehicles and lumber. Controls have been removed altogether from a number of industrial raw materials, including sulphur, explosives and lubricating oils. Provision has also been made for an increase in imports in 1960 of more than 100 other items, mostly essential materials required by industry, up to a maximum of 50 per cent above the 1959 level. Among the items in this group of interest to Canada are metals, chemicals, textiles, medicinal preparations, sausage casings and plastic moulding powders. In addition, a token import system has been introduced for some 90 items, mainly consumer goods.

Hon. Gordon Churchill, Minister of Trade and Commerce, stated that the relaxation of New Zealand's import controls should substantially increase the opportunities for expanding and diversifying Canadian sales in that market and he strongly urged Canadian exporters to take full advantages of these opportunities.

South Africa

IMPORT LICENCES—In the August 15, 1959, issue of *Foreign Trade* it was announced that the South African Government had increased the 1959 quota for Group A consumer goods by 25 per cent, thereby bringing the allocation of permits for goods in this category to 100 per cent of the 1958 level. The Group A category consists mainly of consumer goods of a type not made in South Africa.

The South African Government has recently announced that consideration will now be given to applications for further additional import permits for consumer goods falling under Group A. Applications can be made by importers who have complied with the import/export control instructions which require that importers must have furnished the import control authorities with details of their turnover, inventories and imports during past months.

REPRESENTATIONS RESPECTING THE TARIFF—The South African Board of Trade announced recently that it had received the following representations respecting the tariff:

Increase in duty on:

1. Glass mosaic tiles from 20 per cent ad valorem to 35 per cent ad valorem, but the f.o.b. price plus the duty should be at least equal to 27s.6d. per square yard.
   (Applicant: Ceramic Industries Association of South Africa.)
2. Ceramic mosaic (glazed) vitrified or earthenware tiles, from 20 per cent ad valorem to 50 per cent ad valorem, but the f.o.b. price plus the duty should be at least equal to 45s. per square yard.
   (Applicant: Ceramic Industries Association of South Africa.)
3. (a) Glass mosaic tiles, conventional (square) or crazy cut, from 20 per cent ad valorem to 30 per cent ad valorem, or 10s. per square yard, whichever duty is the greater.
   (b) Glass artistic mosaic tiles (loose) from 20 per cent ad valorem to 30 per cent ad valorem or 2s. per lb., whichever duty is the greater.
   (c) Glass studs, tiles and inserts for floors and walls, from 20 per cent ad valorem to 30 per cent ad valorem, or 10s. per square yard, whichever duty is the greater.
   (Applicant: Murano Glass Works (Pty.), Ltd.)
4. Belt backing from free of duty to 50 per cent ad valorem.
   (Applicant: Ace Belt and Button Co.)
5. Electric hoists, electric lifting blocks, electric crabs and longitudinal and cross travel drives for electric overhead travelling cranes, from 7 per cent to 20 per cent ad valorem.
   (Applicant: H. R. Lasch, Ltd.)

Canadian firms exporting these goods to South Africa may wish to have their views on these tariff inquiries placed before the Tariff Board. The most effective method of doing so is for the Canadian exporter to have his South African agents act on his behalf before the Board. Action should be taken as soon as possible because tariff inquiries normally begin soon after the announcements are made.

Trade Commissioners on Tour

The following officers of the Trade Commissioner Service undertaking tours in Canada. Their itineraries are:

D. S. ARMSTRONG, Commercial Counsellor in Cairo, Egy

Windsor—Oct. 26	Fergus—Oct. 29
Sarnia—Oct. 26	St. Catharines, Welland, Niagara Falls—Oct. 30
Brantford—Oct. 27	Montreal—Nov. 2-13
Hamilton—Oct. 28	Ottawa—Nov. 16-27
Guelph—Oct. 29	

A. B. BRODIE, Commercial Counsellor in Tehran, Iran:

Montreal—Nov. 2-5	Windsor—Nov. 17
Toronto—Nov. 6-11	Vancouver—Nov. 19-25
Hamilton—Nov. 12	Winnipeg—Nov. 27
Brantford—Nov. 13	Ottawa—Nov. 30-Dec. 4
London—Nov. 16	

JOHN MACNAUGHT, Assistant Commercial Secretary Wellington, New Zealand:

Vancouver—Oct. 22-28	Toronto—Dec. 2-7
Southern Ontario—Nov. 30-Dec. 1	Southern Ontario—Dec. 8-9

Businessmen who wish to see these officers should get touch with the Board of Trade or Chamber of Commerce the cities mentioned, with the following exceptions. In Toro Winnipeg and Edmonton, the Trade Commissioners m their headquarters at the offices of the Canadian Manufactu Association; in Windsor, Ontario, at the offices of the Gre Windsor Industrial Commission; in St. John's, Ottawa Vancouver, at the Department of Trade and Commerce; Victoria, at the Department of Trade and Industry, and Fredericton at the Department of Industry and Developm

Tours of Territory

C. G. BULLIS, Assistant Trade Commissioner in Kings Jamaica, will visit British Honduras from November 10-14.

D. H. CHENEY, Commercial Secretary in Lima, Peru, visit the following centres in Bolivia from November 3-18: Paz, Cochabamba, Santa Cruz, Oruro, Sucre, Potosi, Trini and Tarija.

R. H. GAYNER, Vice Consul and Assistant Trade Com sioner in Manila, Philippines, will visit Taiwan from Nov ber 10-20.

B. A. MACDONALD, Commercal Counsellor in New D India, will visit Hyderabad, Madras, Bangalore, Cochin, Tri drum and other business centres in South India during first half of November.

R. L. RICHARDSON, Assistant Trade Commissioner in P of-Spain, Trinidad, will visit Martinique and Guadeloupe du the first week of November.

Businessmen who would like these officers to under assignments should get in touch with them at their post soon as possible. Write to Mr. Bullis at Kingston, Mr. Che at Lima, Mr. Gayner at Manila, Mr. Macdonald at New D and Mr. Richardson at Port-of-Spain.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which the banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalent multiply by 1.05367138.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Oct. 9	Units per Canadian dollar	Notes (See below)
Argentina	Peso	Free	.01169	85.54	(1)
Austria	Schilling		.03673	27.22	
Australia	Pound		2.1332	.4688	
Bahamas	Pound		2.6665	.3750	
Belgium, Belgian Congo and Luxembourg	Franc		.01901	52.60	
Bermuda	Pound		2.6665	.3750	
Bolivia	Boliviano	Free	.00008307	12,038.04	
British Guiana	Dollar		.5555	1.80	
British Honduras	Dollar		.6666	1.50	
Brazil	Cruzeiro	General Category*	.004453	224.50	*Sept. 29 (2)
		Special Category	.002294	435.98	
		Official selling	.05043	19.83	(3)
Burma	Kyat		.1993	5.02	
Ceylon	Rupee		.2000	5.00	
Chile	Peso	Free	.0009022	1,108.40	(4)
Colombia	Peso	Certificate	.1482	6.75	
Costa Rica	Colon	Official	.1690	5.92	
		Controlled free	.1426	7.01	
Cuba	Peso		.9491	1.05362	tax 2%
Czechoslovakia	Koruna		.1318	7.59	
Denmark	Krone		.1379	7.25	
Dominican Republic	Peso		.9491	1.05362	
Ecuador	Sucre	Official	.06327	15.80	
		Free	.05299	18.87	
Egyptian Region, United Arab Rep.	Pound	Official	2.7253	.3669	
		Export account selling	2.0800	.4307	
El Salvador	Colon		.3796	2.63	
Fiji	Pound		2.4022	.4163	
Finland	Markka		.002966	337.15	
France, Monaco and North Africa	Franc		.001934	517.06	(5)
French colonies	Franc		.003868	258.53	(6)
French Pacific	Franc		.01064	93.98	(7)
Germany	D Mark		.2271	4.40	
Ghana	Pound		2.6665	.3750	
Greece	Drachma		.03163	31.61	
Guatemala	Quetzal		.9491	1.05362	
Haiti	Gourde		.1898	5.27	
Honduras	Lempira		.4745	2.11	
Hong Kong	Dollar	Free*	.1656	6.04	*Oct. 2
		Official	.1667	6.00	
Iceland	Krona	Official	.05828	17.16	(8)
India	Rupee		.2000	5.00	
Indonesia	Rupiah	Official rate	.02109	47.41	*Effective Aug. 25, 1959
Iran	Rial		.01253	79.81	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent Oct. 9	Units per Canadian dollar	Notes (See below)
Iraq	Dinar		2.6574	.3763	
Ireland	Pound		2.6665	.3750	
Israel	Pound		.5273	1.90	
Italy	Lira		.001529	654.02	
Japan	Yen		.002636	379.36	
Lebanon	Pound	Free	.3012	3.32	
Mexico	Peso		.07593	13.17	
Netherlands	Florin		.2516	3.97	
Netherlands Antilles	Florin		.5070	1.97	
New Zealand	Pound		2.6665	.3750	
Nicaragua	Cordoba	Effective buying	.1438	6.95	
		Official selling	.1346	7.43	
Norway	Krone		.1333	7.50	
Pakistan	Rupee		.2000	5.00	
Panama	Balboa		.9491	1.05362	
Paraguay	Guarani	Official	.007843	127.50	
Peru	Sol	Certificate	.03408	29.34	
Philippines	Peso		.4745	2.11	
Portugal & Colonies	Escudo		.03312	30.19	(9)
Singapore and Malaya	Straits Dollar		.3111	3.21	
Spain and Dependencies	Peseta		.01582	63.22	
Sweden	Krona		.1835	5.45	
Switzerland	Franc		.2191	4.56	
Syrian Region, United Arab Rep.	Pound	Free	.2652	3.77	
Thailand	Baht	Free	.04517	22.14	(8)
Turkey	Lira		.1055	9.48	(8)
Union of South Africa	Pound		2.6665	.3750	
United Kingdom	Pound		2.6665	.3750	
United States	Dollar		.9490625	1.0536713	
Uruguay	Peso	Free	.09174	10.90	
		Basic buying	.6250	1.60	(8)
		Principal selling	.4525	2.21	
Venezuela	Bolivar		.2833	3.53	
West Indies Fed.	Dollar		.5559	1.80	(10)
	Pound		2.6665	.3750	(11)
Yugoslavia	Dinar	Official	.003163	316.15	(8)
		Settlement rate	.001502	665.92	

*Latest available quotation date.

Notes

1. Argentina: Effective Jan. 1, 1959, a single fluctuating exchange rate was introduced. Exports are subject to retention taxes of either 10 or 20 per cent ad valorem under this system.
2. Brazil: exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 48.64 cruzeiros per U.S. dollar, depending on product.
3. For imports of wheat, newsprint and petroleum, the effective rate of exchange is the official selling rate plus a surcharge of 61.18 cruzeiros.
4. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 5,000 per cent, depending on product, prior to shipment of goods.
5. France: territory includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
6. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
7. New Caledonia, New Hebrides, Oceania.
8. Additional rates are in effect.
9. Portugal: approximately same rate for Portuguese territories in Africa.
10. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
11. Jamaica.

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